

**Work in Perspective**

**38**

Labour Participation in the  
Netherlands

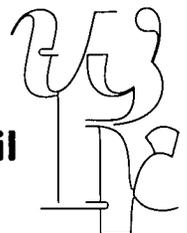
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## Summary

Compared with other OECD countries the Netherlands has a low labour force participation rate. Figures for the Netherlands in 1988 indicate that per 100 inhabitants aged between 15 and 65, 59 are in paid employment. In the United Kingdom the figure is 69, in the United States 72 and in the five Scandinavian countries 78. In France and Belgium the labour force participation rates are much the same as in the Netherlands while in West Germany only slightly more people are in paid employment. In Greece, Italy and Spain far fewer people per 100 adults are employed than in the Netherlands but in Portugal the figure is much higher. The picture changes radically, however, if allowance is made for the fact that part-time work is particularly common in the Netherlands. When this factor is taken into account the Netherlands has the next lowest number of man-years per 100 adults behind Spain and also clearly lags behind France, Belgium and West Germany. If, finally, account is taken of differences between countries with respect to the number of hours worked per man-year the participation rate in the Netherlands lags even further behind that in the United States. In relation to West Germany and France there is little change, while the gap on Sweden narrows slightly since fewer hours are worked per full-time job in that country than in the Netherlands.

The low labour force participation may largely be attributed to the still high level of unemployment and the low participation rates among women and older men. Among other things the latter factor is bound up with the large number of disabled people.

In this report the Council has come to the conclusion that an increase in labour force participation would be desirable in the 1990s. This conclusion is based on the following considerations.

1. Employment is a significant form of social participation. By means of employment - generally paid employment - individuals contribute significantly to the maintenance and further development of the system of social relations that makes up society. The lower the proportion of the population participating in society through employment, the heavier the burden on other institutions to generate the necessary social cohesion. While at present traditional integrative links are subject to erosion and insufficient new institutions are emerging to take over these functions of social integration, participation in the labour system is important for social cohesion. A higher level of labour force participation is also consonant with a society in which the process of individualization and demographic trends bring about that only a minority of the population lives in single-income households consisting of a husband and wife with children living at home.
2. Other things remaining equal, demographic pressures effect that instead of the present situation in which there are 65 benefit-claimants for every 100 (able-bodied) employees, the number of benefit-claimants will rise to 93 per 100 in 2020. Additionally the ageing of the population will place greater demands on the health system and social services. The consequent rise in

public expenditure will be offset to only a very limited extent by a reduction in spending on regular education. On balance demographic trends will lead to an alarming pressure on public expenditure.

3. The maintenance of living standards in both absolute and relative terms forms a fundamental economic argument for a higher level of labour force participation. The achievement of a broader base for social security can provide a significant impulse for economic growth. That impulse may derive both from an increase in the number of persons in employment and from a reduction in the number of benefit-claimants. The improved utilization of the 'human capital' formed by education - especially that among females - is a significant economic argument for a higher level of labour force participation.
4. Unemployment, including hidden unemployment among females and disability benefit-claimants, is expensive in an economic sense, particularly if the unemployment is protracted, and is socially unacceptable. The desire of a large and increasing number of women to perform paid employment is one argument for pursuing a higher level of labour force participation. In addition a large number of unemployed persons experience unemployment as something decidedly negative, without being able to find a job, whereas others turn their backs on the labour market and drop out of the labour system. Many disability benefit-claimants aspire to a paid job; even if this were not so, there are good reasons for helping those physically and mentally capable of doing so, to return to work.
5. The labour force participation rate of the elderly in the Netherlands is much lower than that in neighbouring countries. This is related to the high level of early retirement under the Disablement Insurance Act (WAO), unemployment regulations and the pre-retirement schemes (VUT). There are indications to suggest that many elderly people currently not working would be prepared to perform paid employment consistent with their age and capabilities. For elderly people the barriers towards remaining in paid employment, including employment beyond retirement age, should be removed.
6. In an international political sense, a level of labour force participation not too far different from that in competitor countries would be opportune now that Dutch society is increasingly exposed to policy competition from abroad. Although countries do not compete in terms of the actual rate of participation, the effects of such participation, including the level of taxation and social security contributions, does affect the competitiveness of private industry and the government's financial room for manoeuvre. The latter in turn affects a country's ability to compete in terms of the educational, physical, technical and scientific infrastructure.

Higher labour force participation in the 1990s would not just be opportune but also appears feasible. An increase in the labour supply of 750,000 must be regarded as possible. An increase of this order could be the result of a development in which the participation rate of women rises by 1.5 per cent a year, that of men up to the age of 55 remains unchanged and that of men

aged 55-64 reverts to the 1982 level. An even more pronounced increase in the labour supply cannot be ruled out.

In the light of the demand side of the labour market a rise in employment of 750,000 - corresponding to some 400,000 man-years - is also feasible. This is consistent with the medium-term projection of the Central Bureau of Statistics (covering the period 1991-1994), the Social and Cultural Planning Office's projection for the non-profit sector and other research of a more qualitative nature. The growth in employment will need to take place in the service sector and in the non-profit sector. The retail trade, business services (excluding financial services), the hotel and restaurant trade and the non-profit sector, including health care, are the industries with the best prospects for a rise in employment. The growth in employment could be further enhanced by substitution processes and purchasing-power effects that will arise given an actual increase in labour force participation. Given a decreasing availability of volunteers, various forms of voluntary work will need to be replaced by paid employment. Substitution processes of this kind resulting from a rise in labour force participation could also arise between informal employment in the home and paid employment and, to a lesser degree, between 'black' employment and paid employment in the formal sector.

The achievement of a higher participation rate during the 1990s can be promoted by formulating new policy initiatives in specific areas to supplement the existing financial, economic and social policies. In other fields an acceleration of existing policies will suffice. In addition there are a number of significant new policy options which the Council regards as relevant but that require further study.

Putting emphasis on labour participation will lead to a new policy vision in the socio-economic area. This vision centres on the desirability of a higher level of labour force participation. On the one hand this encompasses the long established goal of combating unemployment, including that among the immigrant community. On the other hand it includes the much more recently recognized goal of promoting labour participation among women and combating hidden unemployment among disability benefit-claimants. Finally the as yet little recognized goal of promoting labour force participation among the elderly is subject to this new vision. In doing so, it is not a matter of imposing new obligations to undertake paid employment on people hitherto outside the labour system. The main theme of this report concerns the removal of barriers so as to improve the opportunities for those aspiring to paid employment. Another theme running through the report concerns the fact that the recommended policy initiatives should not involve an unacceptable lowering of the present living standards of individuals or groups of individuals.

The promotion of labour force participation fits in with two structural societal developments. In the first place, traditional paid employment is changing in response to technological and economic developments. Increasingly, employment is no longer a primarily physical and hence physically taxing matter; know-how is becoming ever more important. For a

growing proportion of the labour force, the elements of personal advancement and human development associated with paid employment have gradually become more dominant while the physically taxing nature of employment ('labour') has increasingly receded into the background. Secondly, radical changes have taken place in relation to household formation. The process of individualization has both a demographic and a socio-cultural component. The demographic component consists of a trend towards smaller households. This means that the labour force is increasing as a proportion of the total population, for which reason alone greater numbers of people are involved in the labour market. Families are becoming smaller and one-parent families more common; the number of single householders forms a growing percentage of the population. In addition there is the drive on the part of women and young people towards economic independence and emancipation, which has placed the traditional family- and breadwinner-based philosophy under pressure and which has resulted in an increasing number of people seeking economic independence through employment.

Policy-wise, labour force participation can be encouraged in various ways. The government, the social partners and individual companies and institutions can each play a part. A policy to promote labour force participation could help reverse the present cycle in which high taxes and social security contributions lead to high wage costs, which in turn depress the level of employment. In this way labour force participation could also increase in response to the demand side of the labour market. The main policy options are as follows.

#### *Wage costs*

Wage restraint is an important factor in the growth of employment. Moderation may take the form of a comparatively uniform wage growth but also that of a more differentiated wage structure. Wage cost differentiation between companies can, moreover, do greater justice to the position of individual companies. In the present circumstances of surplus demand in certain segments of the labour market, a proposal that pay settlements reached on an industry basis should not be extended to companies in the industry that do not come under the collective labour agreement, with a view to achieving differentiation along these lines, would appear unwise as it would create a marked risk of 'leap-frogging'. Alternatives are, however, available in the form of what are known as 'framework' and 'cafeteria' collective labour agreements. Under the first of these, a framework is laid down within which each company is free to specify the particular terms of employment. With respect to wages, minimum and maximum provisions may be agreed. The 'cafeteria' collective labour agreement provides companies with the ability to select from various packages of terms of employment or to put a package together itself consisting of various elements deemed to be of equal weight. This can, moreover, provide companies with the opportunity to make a trade-off between pay increases and either employee benefits or agreements in such areas as training, work-experience placements, child care, parental and nursing leave and flexible working hours.

The structure of unemployment points to a sizable surplus of poorly educated workers, which suggests a lack of differentiation in the pay structure. In this respect the statutory minimum wage is an important factor. At present, the statutory minimum wage in the Netherlands is around 20,000 guilders net per year, i.e. the same as the minimum benefit for families. A reduction in the minimum wage would not only provide opportunities for groups in a weak position in the labour market but could also increase the net demand for labour. At its introduction the minimum wage was based on the minimum requirements of a family with two children. The facts indicate, however, that the image of a breadwinner maintaining his family on a minimum wage has been overtaken by events; no more than 0.4 per cent of employees fit this picture. As such, the breadwinner element could be removed from the minimum wage.

Although further research is required on a number of points, the appropriate policy option would be to introduce an individualized minimum wage for the 1990 generation (i.e. those turning 18 in or after 1990), geared to the current minimum requirements for a single householder, namely 70 per cent of the social minimum for a family. On account of the trend towards individualization in Dutch society, the social security system has been directed more towards individual economic independence for the 1990 generation than it is for older cohorts. For the older cohorts, freezing the minimum wage would in due course bring about a comparable relative reduction in the minimum wage. This policy option would involve disconnecting the minimum wage and the social minimum. By introducing a benefit for a person's spouse similar to the national assistance regulations for the 1990 generation, it would, however, be possible to maintain the relative living standards associated with the minimum wage and the minimum benefit level.

#### *An active labour market policy*

An active labour market policy can contribute to the achievement of a higher labour force participation rate by providing the unemployed and women re-entering the labour market with a means for facilitating entry or re-entry into the labour process. A preventive labour market policy directed towards the employed can help prevent new unemployment and (further) qualitative discrepancies in the labour market. The essence of an active labour market policy consists of enabling the unemployed and women re-entering the labour market to obtain qualifications for which there exists demand in the labour market.

In this respect training and work-experience placements are indispensable. Counselling long-term unemployed talks can also play an important part. It could provide both regular guidance and an individual approach. At present no regular guidance is provided in practice; counselling is meant to be provided on a customized basis but the lack of adequate manpower facilities - especially work-experience placements in the market sector - mean that so far little has been achieved in this respect. The present policy, which aims to provide a coherent set of measures for young people, needs to be complemented as rapidly as possible by coherent measures for unemployed persons aged over 27. In this respect it is necessary for the

market sector, in particular, to provide a large number of training and work-experience placements. Since a considerable number of unemployed persons already are provided with opportunities for suitable employment, suitable training or suitable work-experience, it is recommended that the social security sanctions policy be intensified. It would also be possible for the concept of suitable employment to be expanded. Moreover earnings from employment could receive preferential tax treatment in relation to social benefits by increasing the personal tax allowance for such earnings. In addition market principles should act as the guideline in the organization of official training schemes. This means that employment exchanges should not have a dual responsibility: advising the unemployed on the most appropriate forms of training on the one hand and managing training institutes on the other hand. Finally an active labour market policy should also be directed to those recipients of disability and sickness benefits who are actually capable to work.

#### *Recurrent employment*

Recurrent employment is concerned with regulations to promote regular training as an integral element in people's employment careers, and with such regulations as parental and nursing leave which enable the combination of parenthood and paid employment.

During the 1990s a coherent and sustainable system of vocationally oriented recurrent education and training should be instituted for the employed and for those seeking work. This should be organized primarily through collective bargaining and might consist of a system containing three elements.

1. Employees lacking minimal vocational qualifications would be provided with the opportunity of obtaining them. The same would apply to the unemployed and labour market (re-)entrants, who would thereby obtain a right to an apprenticeship contract.
2. The unemployed and (re-)entrants with basic qualifications or seeking some other form of qualification would be enabled to receive training or follow courses which hold out a prospect to find employment. This would also apply to disability beneficiaries and relevant sickness benefit claimants.
3. At one or more points in their career employees would be provided with the opportunity of taking time off without loss of pay and/or job for the purpose of further vocational education or retraining. Such training leaves could be an issue in collective bargaining.

Apart from recurrent education, parental leave also forms an integral element of a society with an increasing labour force participation among women. The Council intends to examine whether it would be possible to boost labour force participation by means of paid parental leave as already exists in government. Paid parental leave could be a supplement to the recent legislation providing for unpaid parental leave of six months. Childcare leave would for the present be a suitable subject for collective bargaining.

### *Females*

In the Netherlands only 1-2% of children aged 0-4 years are looked after in day-nurseries. Inadequate child-care facilities, including after-school care, probably forms the single most significant obstacle to employment outside the home for women with children. Speeding up the government's plans to provide child-care facilities does not seem possible as these have already run into accommodation and staffing constraints. After 1992, however, the level of child-care facilities will have to grow further. Allowing for an annual increase in the labour force participation of women of an average 1.5 per cent, such facilities will need to grow by at least 3-4 per cent a year.

Both the social security provisions and the income tax arrangements provide facilities for single-breadwinner households. Examples include the non-contributory status of dependent partners in the national insurance schemes (old age pensioners and widows' and orphans' benefits) and the Sickness Benefits Act. The transferrable personal tax allowance is also a breadwinner's facility. If one partner does not make use of his or her personal tax allowance, this can then be transferred to the other partner, thus meaning that the tax benefit is not lost if people are not in work. On the one hand these facilities enable women to withdraw from the labour market but conversely they mean that the acceptance of a job generally does not have major income consequences. In particular, the abolition of the transferrable personal tax allowance (thus providing for the individual assessment of taxation) would provide a significant incentive for women to take a job. Provisional calculations by the Central Planning Office indicate that this measure could generate an extra 100,000 women in the labour force. Such a measure would of course also affect the distribution of income. While the measure would have no consequences for single householders, two-income families would benefit while single breadwinners would be penalized. At the lowest income levels the loss would be around 8 per cent.

To begin with, compensation for abolishing the transferable personal tax allowance could take place by means of an increase in child benefit, which rises with the age of the child and its place in the family. It would be possible to even out child benefit from the first to the seventh child at a level in excess of the current amount payable for the fifth child. On top of this the differentiation according to age may be eliminated. Apart from the material expenditure on children, child benefit would then also meet a part of the costs of maintenance. These changes would mean that the loss of the transferrable personal tax allowance in single-income households with one, two or three children and an income up to modal level would be respectively three quarters, wholly and more than wholly offset. For higher income families the effect would be somewhat less favourable.

To avoid an excessive drop in income in households without children, the transferrable personal tax allowance could be gradually abolished, for example over a ten-year period. For many people, this would mean that the drop in income would be negated by general wage trends or changes in the household composition, while the dependent partner would, if so desired, have time to enter the labour market. The abolition of the transferrable

personal tax allowance could also reduce the incomes of benefit claimants, including pensioners, on account of the 'net-net linkage'. In order to prevent this the net-net linkage point could be reset. The social minimum could for example be linked to the income of a two-income household in which both partners earn half the minimum wage, instead of the income of a single-income household on the minimum wage.

### *The elderly*

The by international standards low participation rate of elderly people, both male and female, is related to the voluntary or involuntary early retirement under disability, unemployment and pre-retirement schemes. In the long term a structure needs to be devised in the Netherlands in which it once again becomes customary for the elderly to remain in work until the age of 65. Part of those nearing retirement could spend their final years in part-time employment, for example in a second career. Those who so wish, should also be facilitated to continue working for a period beyond the age of 65.

There are various ways in which this could be officially encouraged. In line with the practice of the Public Servants' Superannuation Fund, occupational pension funds could introduce 'stepdown' arrangements for pension purposes to permit downward mobility (i.e. demotion) within a company without undue loss of pension (the latter generally being based on a finalpay formula). Such provisions would be an important element in company and institutional personnel policies that take due account of age, thereby providing an alternative to early retirement. It is possible that an even more fundamental change may be required consisting of the replacement of the present final-pay system with an average-pay system based on the indexation of accumulated pension entitlements. In addition the possibility of introducing flexible pension arrangements certainly deserves further investigation and attention. In the short term the social partners and the government as employer could introduce part-time pre-retirements schemes. This would significantly extend the options for employers and older employees. Finally it is important to prevent employment disability.

### *Disability*

As is well known, the Netherlands, compared with other countries, has a high rate of sickness absenteeism and a relatively large and steadily growing number of disability beneficiaries. These factors have contributed towards the low labour force participation rate. The situation as such requires a stabilization or reduction of the volume of disability. The agreements reached between employers' and employees' organizations and the government in the 1990 Autumn Consultations provide no such certainty.

A proper policy would need to tackle the various stages in the process in which people qualify for disability benefit. In principle employees qualify for disability benefits (WAO) after drawing sickness benefits (ZW) for a twelve-months period. A distinction may be drawn between preventive policies, aimed at reducing the inflow under these schemes, and curative policies, aimed at enlarging the outflow from the disability benefit

arrangements. The former may be further separated into primary preventive policies, aimed at reducing long-term dependence on sickness benefits, and policies of secondary prevention, aimed at reducing the number of people passing on from the Sickness Benefits Act to the disability schemes. An analysis of the disability problem indicates that only a coherent package of policy measures can achieve the desired effect; isolated measures will not be sufficient. In addition the cultural climate surrounding the disability regulations will need to change, which can be encouraged, if not imposed, by policy measures. A large number of the policy options specified below would be fully consistent with existing legislation, but others would require fundamental amendments to the law. This will take time and further examination. A relevant option is a change in the disability criterion in the regulations (i.e. the replacement of the loss-of-earnings criterion by a capacity-for-work criterion). Another option is to take into account the employment history of the individual in the disbursement of disability benefits. This is the case in various other EC-countries.

In terms of primary prevention, policy options not requiring fundamental legislative amendments and thus fit for introduction in the short term are as follows:

- improved utilization of the Working Conditions Act;
- improved enforcement by the Factory Inspectorate of the Factories Act;
- differentiation of the Sickness Benefit contributions per company (affecting the behaviour of companies and institutions) and the introduction of a personal risk component for employees, operating negatively as well as positively;
- tightening the sickness notification procedures for companies and institutions;
- a more active supervisory and initiating role for the industrial medical services;
- requirement for a medical certificate to support sickness absenteeism;
- designating the handicapped as a target group in the act to promote employment opportunities previously proposed by the Council; this would also provide an alternative to the quota provisions in the Employment for Handicapped Workers Act, under which companies and institutions may be obliged to employ a certain percentage of disabled people.

Secondary prevention includes the following measures:

- reintegration activities during the sickness benefit period: after six weeks the company doctor or the industrial medical service should take the initiative; after three months a return-to-employment plan should be drawn up; after six months the individual in question has to be referred to the Joint Medical Service (GMD), whose responsibilities include disability assessment, so that reorientation may start towards a new job, a training or a work-experience placement with the same or a different employer;
- the concept of 'suitable employment' in the regulations could be expanded;
- disability benefits should in the first instance be paid on a temporary basis;
- more critical implementation of the General Disablement Benefit Act (AAW) and the Disablement Insurance Act (WAO) (including a requirement for a second medical opinion) and improvement of the communication between the medical professions in question.

With respect to curative policy, the Council proposes the introduction of an active labour market policy, aimed at all disabled persons deemed capable of employment. The arrangements should also extend to certain long-term ill individuals, while employees in sheltered employment should also be entitled to use the facilities. In line with the arrangements for the reorientation of the long-term unemployed, each person's employment potential should be analysed and consideration should be given to the forms of training and work-experience that would improve the prospects for gaining employment. It would be essential for such counselling to be provided on an individual basis. Organizationally, an active policy would best be implemented by means of cooperative arrangements between industrial insurance boards, the Joint Medical Services and the regional employment exchanges (RBAs).

#### *Conclusion*

Given a coherent and effective set of policies, the 1990s could be a decade of rising labour force participation. In these circumstances the road to greater prosperity would not be primarily a matter of wage increases but - in line with the trend in society towards greater individualization - for a larger average number of incomes per household. The burden of taxation and contributions could be reduced in this way, with positive consequences for both net incomes and the further growth of employment.

## Foreword

On 4 September 1990 the Government asked the WRR for a report on ways of increasing labour force participation. The Government was aware that the Council had been concerned with this issue for some time. Since an increase in labour force participation was a major policy goal in the Government's 'Social Innovation' policy document, there was a need for a report setting out the policy options in the medium to long term.

The nature, scale and quality of labour force participation in the Netherlands is a complex issue. In its various guises it marks the current political debate. From a socio-economic viewpoint, questions such as unemployment, long-term unemployment, disability, labour productivity, benefit levels, linkages between social benefit levels and the wage level, training and re-entry demand attention. From a financial/economic viewpoint the main concerns are the affordability of the social security system, the size of the public sector and the level of the budget deficit. Labour force participation is not, however, just an economic issue; socio-cultural and socio-political considerations are also significant factors. Questions of poverty, social integration, civic participation and the role that employment can play in these respects go beyond the purely economic viewpoint and deserve to be taken into consideration in their own right.

It is this complex issue which is addressed in this report by means of the relationship between the social and economic dimensions of employment and labour force participation. The wide-ranging nature of the problem prompts to caution and restraint, as the issues in question go far beyond the scope of a single report. As such this report should be viewed as no more than a contribution to an on-going debate.

The report distinguishes four aspects. First of all, with the future in mind, a number of elements are added to the usual approach towards employment and labour force participation. The usual emphasis on economic aspects needs to be supplemented by an analysis of the aforementioned social aspects, which are bound up with developments in the labour market and the welfare state. A new political strategy along these lines forms the subject of the first chapter.

Chapter 2 examines the special position of the Netherlands with respect to labour force participation. The comparatively low participation rate is one of the more striking deficiencies in an otherwise favourably evolving economy. Although the trend has now been reversed, the participation rate in the Netherlands remains below that in most other OECD countries.

Chapter 3 is prospective in nature. The chapter examines the developments that could take place on the supply side of the labour market and whether these would be consonant with developments on the demand side. Raising the participation rate not only appears feasible but would also be opportune on demographic, economic, social and international political grounds.

Finally, Chapter 4 translates the new policy vision into policy programmes aimed at increasing the level and quality of labour force participation. The discussion has been deliberately confined to specifying the broad directions in which government policy could head; in line with the fact that the original report is designed to stimulate debate rather than to resolve an argument, the proposals have not been spelt out when it comes to concrete implementation. Here only a short summary is presented of the policy recommendations.

In order to establish the framework for this report as clearly as possible, a theoretical observation is in order before proceeding to the substantive part of the report. This relates to the relationship between socio-scientific insights and the resultant policies on the one hand, and the labour system as a more or less closed system on the other. A closed system of this kind has its own dynamics and, more importantly, develops its own criteria for assessing what is right and proper and what is not. The result is a substantial resistance towards new policies, whereby there is a general recognition of paradoxes and dilemmas while action-oriented change often comes a poor last.

We find ourselves in such a situation at present and this report is an expression of it. There is no shortage of paradoxes or dilemmas in the welfare state. For example, the statement that there are only two kinds of teachers, the unemployed and the overworked may be something of an exaggeration, but contains at least a grain of truth. The same applies to the observation that there is poverty in a wealthy country like the Netherlands; that unemployment and labour shortages exist side by side; that measures to combat unemployment have resulted in a reduction in labour force participation; that the participation rate in the Netherlands is still below the average for the OECD, but that it has the highest labour productivity per man-year, together with the US and Canada; that it has the greatest number of disability benefit recipients and the most comprehensive social security system; that benefits are a form of social justice but also serve as a pay-off for socially useful energy and tend to block a return to paid employment; that an excessive burden of work tends to lead to demands for higher pay rather than pressure for a lower burden of work; that the linkage of wages and benefits may be socially just but ceases to be so if it leads to higher unemployment through increased labour costs; that being in receipt of a benefit may sometimes involve an unjust prohibition on courses of study and other forms of personal development that could hasten a return to the labour market; that benefit claimants tend to lose against 'official' workers even in the informal circuit; that voluntary work in principle is both good and distorting; that women and minorities are trying to break into the labour market whereas others do not feel fully emancipated until they can break free from their dependence on work, and so on.

Although a lengthy litany this is just a small selection from the serious paradoxes and dilemmas facing the welfare state in the field of employment and labour force participation. This could give rise to the notion that the policy resistance referred to earlier could rend official policies impossible or superfluous. In this way, the 'crisis' of the welfare state could contribute

towards a tendency to replace the rather naive emphasis on feasibility in the 1970s with an equally as naive underestimation of policy options in the 1990s. Instead of choosing between constructivism and determinism, this report seeks to avoid such extremes by examining the 'fit' between consciously formulated policies and the undercurrent of more or less autonomous societal developments in the labour system of the future.

The report 'A working perspective: labour force participation in the 1990s' has been prepared by an internal project group of the WRR. The Chairman was Dr. H.P.M. Adriaansens, a member of the Council, the project secretary was Dr. W.J. Dercksen, a member of the permanent staff. The following individuals also participated in the project group: Dr. W. van Drimmelen (Council secretary) and the permanent staff members K.W.H. van Beek, J.M. Bekkering, M.G. Blomsma, J.C. Huisman, R.M.A. Jansweijer and Dr. C.W.A.M. van Paridon.



## 1.1 Introduction

To date, there has been little tendency to analyse socio-economic issues in terms of labour force participation. Until recently in the Netherlands, unemployment has provided the primary frame of reference for socio-economic analysis and policy. Why, then, this shift from unemployment to labour force participation? Has unemployment become less important? On the contrary: even though there has been a noticeable decline in recent years, unemployment - especially long-term unemployment - remains at a level that would have been unthinkable 25 years ago. The advantage of tackling these issues in terms of labour force participation is that it brings into focus phenomena that have hitherto been neglected. This approach can moreover contribute toward a clearer view of the rapid increase in skill shortages in the labour force at a time of continuing high unemployment.

Labour force participation is not just something different, it is foremost a broader category than unemployment. Unemployment is just one of the factors serving to depress the participation rate, other forms 'hidden' or 'desired', are disability, sickness and early retirement. By placing labour force participation at the centre of attention these other factors also come more clearly into view. Disability, for example, has now become a much larger problem quantitatively and qualitatively than officially registered unemployment. Having an active labour force of about 6 million people, the Netherlands appears to be well on the way towards a million registered disabled persons: as such this aspect cannot be omitted in any analysis of socio-economic issues.

The concept of unemployment suffers from the further disadvantage that it fails to address socio-economic considerations. All unemployment statistics - at least five by now - are calculated on the basis of a problematical but not yet problemitized category known as the 'labour force'. Deciding who do and who do not form part of the labour force depends in part on the socio-economic context. If it is considered normal for women not to work, the labour force will be small and the unemployment figures will relate only to that limited element of the population; if by contrast female employment is socially and culturally accepted in the formal labour circuit, the labour force will be large and the unemployment figures will relate to a substantially larger proportion of the population.

International comparisons of unemployment figures tend to ignore such socio-cultural differences and therefore provide an unreliable picture of the employment situation in a given country. In addition, recent measures to combat unemployment have in fact been designed to reduce the size of the labour force: while this flatters the overall picture (because the unemployed are eliminated from both the denominator and the numerator) it does not alter the reality of employment and labour force participation.

The figures presented in Chapter 2 will reveal that substitution of labour force participation for unemployment casts a different light on the international socio-economic position of the Netherlands. This shift in emphasis results in different questions being asked, in a broader debate and in new responses.

Before tackling the actual subject-matter of this chapter a short introduction of the main concepts is in order. These concern the central notion of labour force participation, as well as the relationship between this concept and the notion of full employment. Finally the chapter briefly examines the prospective nature of the study.

#### *Labour force participation*

This report is concerned with the level of labour force participation in the Netherlands. Formulated in brief the problem is as follows: *how can the labour force participation rate in our country be judiciously increased?* By 'labour force participation' is meant here the active participation in the labour process in the form of an official job or self-employment. The 'labour force participation rate' refers to the percentage of the population aged between 15 and 65 actively taking part in the official or formal labour process. It is, therefore, the 'net participation rate' (sometimes known as the activity rate); unlike the 'gross participation rate' it does not embrace the unemployed.

Since the mid-1950s - when the welfare state came into being - the net participation rate has gradually declined in the Netherlands. This trend was not finally reversed until the second half of the 1980s, thanks primarily to the growing level of part-time employment. The present level still is several percentage points below the 1960 rate.

The question that immediately arises concerns the problematical nature of the level of and shifts in the participation rate in the Netherlands. Is there in fact a problem? The question is not wholly redundant, even though no one would deny that the scale of both registered unemployment and disability in the Netherlands is much too high. Combined with hidden unemployment and other forms of non-participation, this means that by international standards the Netherlands has a low participation rate, particularly when measured in man-years. But, as we have seen, this need not be a problem in itself. In terms of the 1970s 'leisure society' it might even be regarded as an accomplishment. Similarly in terms of the family-centred philosophy of the 1950s and 1960s, a low level of labour force participation generally did not form a problem, as long as there was sufficient employment for breadwinners; a country was regarded as 'affluent' if it could permit the maximum number of women, children and elderly people to remain outside the (industrial) labour system. Seen in this light it also becomes understandable that 'full employment' was achieved in this period at a relatively low participation rate <sup>1</sup>.

<sup>1</sup>] Cf. H.P.M. Adriaansens, Quality and Quantity of Work in the Nineties; WRR, Working Documents W41, The Hague, 1989, p. 10.

Nevertheless the low labour force participation rate in the Netherlands is the central problem in this report. For a number of reasons, the Council considers a low participation rate a key problem in the present-day welfare state. There are economic reasons that necessitate an increase in labour force participation <sup>2</sup>. Apart from widespread unemployment and large-scale disability - in themselves clear reasons to seek an increase in the participation rate - skill shortages have begun to recur in the labour market. A low participation rate appears compatible with both a high level of unemployment and an increased risk of labour market shortages. Another reason why an increase in the labour force participation rate is desirable from an economic perspective is related to the increasing importance of the 'human capital' factor. 'Human capital' stands for the body of investment in people, education, training and work experience, which make people more versatile or productive than without such investment. It is not acceptable for the investments made on this front by the individual and society to remain idle. Formerly this applied almost exclusively to men, but now it also applies increasingly to women. One may wonder whether costly investments in education, training and work experience are compatible with a persistently low labour force participation rate among women.

An increase in labour force participation is also desirable on demographic grounds. The ageing of the population and falling number of young people will add to the difficulties of financing social security, especially where this is done by charges on labour. The absolute and relative increase in the number of old people will exert an upward pressure on public expenditure with a corresponding decline in the tax base for such expenditure.

Also important are the social factors. Increasingly it appears that the social component of labour force participation has been unduly neglected in recent years. Employment was and is one of the most important distributive mechanisms in a modern society and hence one of the main routes to broadly-based social participation; directly or indirectly, employment distributes money, power, respect and happiness. In recent decades, the notion that that role could be taken over by other 'institutions', like leisure or social security, has been tested to the limit with few positive results. It is therefore time to re-examine the role of employment in the processes of social participation and integration.

At least in one respect, the outcome of the analysis in this report could not be clearer: increasing the labour force participation rate to a level of 'full employment' consistent with the present times should in the Council's view be one of the main objectives and principles of socio-economic policy.

This statement calls for elaboration. In the first place the statement amounts to a 'reconfirmation' of 'full employment' as an objective of socio-economic policy. In itself this may come as little surprise but it can do no harm to rebut the increasingly voiced suggestion that the aim of full

<sup>2</sup> For a more detailed and comprehensive discussion of these economic arguments for an increase in labour force participation see Chapter 3 of this report.

employment is outdated. This standpoint is more than amply documented in this report. Secondly, it may be noted that the participation rate required for full employment in the future will not only be higher than at present but also higher than in the period of full employment during the 1950s and 1960s. That expectation is also documented in this report, in addition to which it is desirable on economic, demographic, socio-cultural and socio-political grounds for labour force participation to increase. In this respect it is of course important to establish how high the 'labour force participation rate adapted to the present times' should be. This report adopts a pragmatic approach. The labour force participation rate should certainly not be boosted to the highest possible level at any cost, as that could threaten other values and objectives and would take too little account of established rights and entitlements. Given the present participation rate, however, such dangers are still far-off.

This brings us to the policy dimension of the above statement: increasing the labour force participation rate presupposes policy action. Although we have learned to scale down our expectations of what policies can achieve, an international comparison reveals that socio-economic policy choices (including also the organization and funding of the public sector) exert an independent influence on the labour force participation. On the basis of that international comparison this report formulates various ways in which a higher labour force participation might be achieved.

#### *Full employment*

Full employment was regarded as the principal aim of socio-economic policy as early as the 1950s. Implicitly, this suggested that there was a fixed point at which employment in a country could be regarded as 'full'. No such point exists, however, if only because the size of the labour force can rise or fall due to changing socio-cultural circumstances, including changing household formation patterns. A rise or fall in unemployment need not, therefore, always indicate a change on the demand side of the labour market but can equally be 'caused' by demographic or socio-cultural changes on the supply side of the market.

A reduction in unemployment does not necessarily mean an improved prospect of employment (since categories of unemployed persons can be defined away) while the opposite also applies (i.e. as the labour market picks up, the additional inflow of those seeking work can be so great that net unemployment remains unchanged or even rises). Both phenomena have occurred in the 1980s. This drawback disappears if the labour force participation rate is used. A rise in this figure necessarily means that of every 100 individuals aged between 15 and 65, more have found work. In order to obtain a true understanding of what is going on in the field of unemployment, it is therefore necessary to look not just at the rate of unemployment but also at the participation rate.

The participation rate at which the objective of 'full employment' is achieved is therefore variable. In the 1960s, when that objective was so fully achieved that 'guest workers' had to be imported from the Mediterranean region, the participation rate was no more than 59 per cent. This means

that of every 100 persons aged between 15 and 65, 59 officially had jobs. In 1985 France and the Federal Republic of Germany had the same percentage with mass unemployment. There can be no clearer indication that economic developments and circumstances also affect the level of unemployment and employment: the widely held breadwinner and family philosophy of the 1950s and 1960s meant that full employment could be achieved at a relatively low participation rate. It also becomes clear that contemporary developments, such as individualization, make it difficult to achieve full employment, in that an ever increasing participation rate is required in order to achieve full employment.

The uncertainty about the attainability of full employment in a post-industrial society has led to uncertainty concerning the role and significance of labour in society. The fact that the Netherlands would ever have to grapple with such high rates of unemployment and disability would have been unthinkable in the 1960s. Now that this has not just become a fact but that there is widespread uncertainty as to whether policy measures can redress the situation it is possible that the traditional priority attached to the provision of employment could itself be challenged.

Such development would be unacceptable. The Council regards the low participation rate as the Achilles' heel of the Dutch socio-economic system. Moreover it regards a high labour force participation rate as an essential element of a modern democratic society; for the individual, the ability to participate in productive employment is one of the leading preconditions for proper citizenship. This is not just a matter of expanding the quantity of employment but, more particularly, of taking into account the *quality* of both demand and supply.

#### *The welfare state and the future of work*

If the welfare state is to cope with future developments this will necessarily entail a detailed analysis of the role of work in those developments. Like any survey of future developments, this is not a straightforward matter. Making pronouncements about the future is always risky and challenging; this applies all the more at a time when attitudes are subject to rapid change and obsolescence. Extrapolations based on our assumed understanding of the present, often prove wide of the mark, even in the short term. This may be because the future is essentially capricious or because our assumptions about the present later will prove unfounded. Nevertheless, the inescapable necessity of implementing policies involves an understanding of what might take place in the future, of interacting tendencies and of the emergent possibilities and prospects for new policies. And since there is no better frame of reference than the present and the past, it is a matter of building on these as effectively as possible.

The future is a broad concept and the way in which we handle its intrinsic uncertainty depends heavily on the 'proximity' of the future we are dealing with. In the case of the short term, our understanding of the past and present forms a ready point of departure and it is possible to examine the implications for the future of a continuation of present trends. In the long term, the margin of uncertainty becomes greater and the value of

prospective research is considerably reduced by the barely foreseeable breaks in the trend. Nevertheless: "the success of a survey of the future does not depend on the accuracy of a prediction but on its usability in policy terms and on the contribution it can make towards building up a constructive vision of the future. The value for policy of future research lies primarily in the identification of uncertainties and possibilities. This means throwing greater light on prospective developments that might be regarded as either desirable or undesirable and hence in need of prevention. Insights of this kind can also help increase policy robustness, i.e. policies capable of dealing with divergent circumstances"<sup>3</sup>.

This report concentrates especially on the final decade of this century. Here again the uncertainties are substantial and we need to develop the soundest possible insight into the dynamics of current and recent developments.

## 1.2 Background

### 1.2.1 Grounds for this report

A report such as this does not emerge from nowhere. During the 1980s, long-term unemployment and disability in the Netherlands were on such a scale and so persistent as to call for a reconsideration of work and, in particular, full employment. Now that, in addition, skill shortages are emerging in the labour market a more detailed examination of the entire question of labour force participation can no longer be put off.

Following the Second World War there was a general conviction that the unemployment of the 1930s had to and could be avoided. Initially, full employment was deemed attainable by means of Keynesian methods and came to be regarded as axiomatic in the 1960s. As such it was readily elevated into one of the principal objectives of socio-economic policy and in the 1950s full employment was codified as such. Several decades later, in 1983, at the very point when the axiomatic nature of full employment was swept aside by the wave of mass redundancies, the objective of full employment was even enshrined in the Dutch Constitution. Reflecting the times, the formulation was a cautious one: "The promotion of full employment is the object of government concern". Given the persistence of unemployment and the increasingly clear signs of a fundamental restructuring of the economy on a more radical scale than in preceding years such caution was understandable.

Since then, the unemployment figures, after rising steadily in the first half of the 1980s, have begun to ease again and employment, particularly in terms of the number of economically active people, is clearly rising. Measured in man-years, however, the increase is less marked. Moreover, an almost unabating stream of people is claiming disability benefits, with the numbers threatening to pass the one million mark in the foreseeable future. This

<sup>3</sup>] Scientific Council for Government Policy (WRR), Government and Future Research; Report to the Government no. 34, The Hague, Staatsuitgeverij, 1988.

does not just impel to concern but has rightly been condemned as a political scandal.

The background against which the problem addressed by this report has been analysed has been broken down into three elements: the ratio between economically active and inactive persons and the associated burden on social security; the on-going restructuring of the economy in the direction of a technological and knowledge-intensive post-industrial age; and the continuing process of individualization in which an ever-growing proportion of the population turns to the labour market. These factors, then, form the backdrop against which the problem of labour force participation in the Netherlands needs to be viewed.

- 1.2.2 Economically active and inactive persons; employment and social security**
- Apart from the 'official' socio-economic objective of full employment a further financial/economic aim has been pursued politically: a reduction in the volume of social-security spending. Especially in the last decade this aim has been formulated with increasing vigour. The so-called crisis of the welfare state first emerged as a financial/economic crisis focussed on the level of social-security spending. The affordability of the increasing claims on social insurance facilities and schemes was questioned and formed one of the reasons for the government expenditure review programmes in the 1980s. The past 30 years have seen a substantial rise in the number of benefit claimants. Whereas the figure in 1960 was just 1.2 million, by 1985 it had risen to 3.77 million and in 1990 it exceeded the 4 million mark. The ratio between employed persons and benefit claimants, i.e. between the economically active and inactive, therefore changed substantially during that period, from 3.4 in 1960 to 1.3 in 1984. Since that time, however, no further changes have taken place in the ratio up to 1990, and no further changes of any significance are anticipated in the next few years. If old-age pensioners are left out of account, the distortion in the ratio becomes even more dramatic: whereas each benefit claimant in 1960 was matched by nearly 13 employed persons, the figure since 1985 has fallen to under three. Looking further to the future, the ratio will once again come under pressure with the ageing of the population.

Naturally these developments have boosted the volume of spending considerably. Until 1960 social security spending amounted to no more than 10 per cent of net national income, whereas in 1985 it had risen to nearly 29 per cent. In the second half of the 1980s, however, this figure too has stabilized and now stands at 28 per cent.

This raises questions about the dynamic relationship between the labour force participation rate and the volume of benefits. The question has particular force since the Netherlands deviates from other countries in these respects. The fact that this is not a matter of straightforward mono-causal relationships but of complicated patterns of mutual interaction requires little further explanation.

The question of the volume of social security spending has also been very much in the forefront of attention in the last decade from a different

viewpoint. The trend towards individualization in society - on which more later - is a socio-cultural and demographic undercurrent of which no account has been, or could be, taken in the organization of the social security system. Until recently the social security system was largely geared to the traditional family household. Now that there is a wider variety of household types the automatic nature of that relationship is being called into question.

The process of European integration has also directed attention to the volume of Dutch social security spending. In the meantime it has become clear that a 'harmonization' of the various systems of social security is certainly not an isolated policy matter. On the assumption that the scale and organization of a national social security system is not independent of the national labour force participation, the Council should like to emphasize that harmonization of social security systems presupposes an approximation of labour force participation rates.

### **1.2.3 Shifts in the quality and quantity of employment: the restructuring of the economy**

Computerization has led to changes in traditional paid employment and the seemingly realized ideal of full employment is no longer, or barely, being achieved in most Western countries. Also, the nature of labour demand appears to be shifting: increasingly, highly trained workers are sought and those lacking adequate training run an increasing risk of being excluded from paid employment. The gradual shift in employment currently taking place within and between sectors in the direction of 'knowledge-intensive' work is beginning to exert a major influence on both the quantity and quality of employment.

The industrial economy of the 20th century has undergone a process of change in recent decades. Since the Second World War the evolution into what is sometimes termed a 'post-industrial' society (a term which is apt, erroneously, to arouse the impression that industrial activity has ceased to be important) has continued vigorously, although more rapidly in some countries than in others. As part of this process, science and technology have radically changed the face of work. In broad terms this amounts to a shift in work based on human muscle power to work based on human mental capacity. Computerization has not just reduced industrial labour demand (except, it may be noted, for the second half of the 1980s) but has also changed the quality of (industrial) work. Old industries have died out and totally new ones have arisen. Side by side with, and to some extent as an extension of, manufacturing industries, tertiary and non-profit industries have evolved. Since around 1970 the latter categories account for over half of total employment (measured in man-years) in the Netherlands, and for precisely two thirds in 1987. Employment in the manufacturing sector now accounts for only 27 per cent of the total volume of employment, and agriculture for just 6 per cent.

This decline in the manufacturing share in employment is not just a matter of technological change. On the one hand there has been a growing demand for services, which has squeezed the relative share of industrial employment.

On the other hand the increasing industrialization of the Third World has led to a further decline in industrial employment in the West, thereby accelerating the emergence of the post-industrial society. Industrial activity itself has also become more knowledge-intensive, thereby placing new demands on training and education levels. Taken in conjunction with developments in the tertiary and non-profit sectors, the result has been to erode the relative share of employment in unskilled professions. Whether the relative share of industrial employment will be further eroded during the 1990s is hard to predict.

#### 1.2.4 **Changing household patterns: individualization**

Apart from striking shifts in the nature and scale of employment, radical changes have also taken place in the field of household formation. These changes have had major consequences for both the production and the consumption side of the economy. The trend towards individualization has meant that families in recent years have generally become smaller, that a shift towards a more equal sharing of tasks has taken place within families, that all sorts of new forms of primary relationships have evolved and that the number of one-person households has grown strikingly. This has placed the traditional breadwinner structure of the labour economy under pressure and a movement towards a more individualized employment and wage structure may be observed. Categories of persons who previously entered the labour market on only a very limited scale (and, given that prospect, underwent only limited education and training) are now anxious to apply their educational qualifications in the formal labour system. The signs are therefore that the supply of labour will rise in the next decade in absolute terms and even more so as a percentage of the potential labour force. The equal-opportunities aspect of this trend clearly is welcomed by the government.

This development may be encapsulated in the term 'individualization'. There are two aspects to this process, a demographic and a socio-cultural one. The demographic aspect concerns a trend towards smaller households, thereby leading to a higher proportion of breadwinners in the population as a whole and, for that reason alone, to a higher level of resort to the labour market. Families are growing smaller, one-parent families are more common and the number of single householders forms a growing percentage of the population. Little change is expected in this pattern in the near future. In addition there is the socio-cultural aspect of individualization. The greater independence and emancipation of large groups of the population, especially women and young people, have been recognized in recent decades as a social objective. This has placed the traditional family and breadwinner philosophy under pressure and has meant that a growing number of people are seeking economic independence by means of work. This trend too is likely to be continued in the future.

Although developments on the demand side of the labour market may have taken a turn for the better in recent years, this does not mean that the achievement of 'full employment' in the medium term is assured given unchanged policies. Developments on the supply side of the labour market mean that ever larger groups of people are claiming paid employment.

Women, in particular, are increasingly turning to the labour market and seeking to promote their economic independence by that means. In the light of developments in other countries and the gap that has opened up between the Netherlands and those countries it may be assumed that this catching up process will continue in the Netherlands in the next decade. At the same time, there is concern about the growing discrepancies between the qualifications on offer in the labour market and those being sought on the demand side.

The restructuring of the economy, the on-going process of individualization as manifested in new patterns of household formation and the fact that the socio-economic arrangements of the welfare state have not yet caught up with this process are the structural tendencies that must be held responsible for the simultaneous occurrence of official and 'hidden' unemployment.

It is against this background that the Council should like to respond to the Government's request for advice on ways of promoting labour force participation. The question is, in brief, where to go from now. It is the Council's underlying conviction that in the absence of sufficient policies to promote labour force participation, the low participation rate in the Netherlands will lead to problems of an economic and social nature. Is there scope to open new courses and what must be done to prevent problems from being 'bought off'? In the latter case, the structural basis of those problems are magnified rather than reduced.

### 1.3 Attitudes towards work

#### 1.3.1 Images of the future

A discussion on labour force participation and especially one on the desirability of increasing the participation rate in the Netherlands, is framed in a more elaborate vision on the role and significance of work in the past, present and future. Each specific problem is seen in an extensive context of this kind, for which reason the underlying vision needs to be examined in some detail at this point.

Attitudes towards the role of work often emerge the most clearly in images of the future. A good deal has been thought and written about the future of work. A striking feature of this body of analysis is the fact that the shape of the future is generally depicted in negative terms. Work, many studies of the future seem to be saying, has passed its high-water mark. The view that work occupies an increasingly subordinate place and leisure an increasingly important role in society has become virtually a truism, as evident from the contraction in working hours in recent decades and the corresponding increase in the amount of leisure time<sup>4</sup>. Nor has this just been a matter of the last few decades; on 1 May 1989 the centenary was celebrated of the first Labour Day, when the struggle for a shorter working week

<sup>4</sup>] A number of seminal books on developments towards a leisure society appeared in the early 1960s, such as J. Dumazedier, Vers une civilisation du loisir?; Paris, 1962 and J. Fourastié, 40.000 uur; de mens in het perspectief van een verkorte arbeidstijd (40,000 hours: man in the perspective of shorter working time); Working Group 2000, Amersfoort, de Horstink, 1966.

commenced. The restructuring of the economy, technological progress, the enormous increases in productivity and the rapid growth in part-time work are all factors that have ensured major progress towards a reduction in working hours.

But such a perspective of the future is also one-sided. The notion that the best thing that can happen to work is its total disappearance, fails to acknowledge the significance of productive work for individual identity and social integration. Such an attitude is comprehensible only while productive labour is identified with the physical labour of the industrial age. With the emergence of a post-industrial society, however, the equation of work with industrial labour has to a large extent been superseded. For an ever growing number of workers, the 'labour' aspect of work does not signify. As such, the evaluation and condemnation of work on the basis of the historical form it assumed in the late 19th and early 20th centuries increasingly fails to do justice to subsequent developments.

Following a brief survey of the sociological research into the individual and social consequences of work/non-work, the remainder of this section examines the fundamental view on which the analysis of the problem and possible solutions in this report is based. Finally, that view is translated in the last section of this chapter into a revised policy vision.

### 1.3.2 **Manifest and latent functions of work for the individual**

Work fulfills a number of functions for the individual. A good deal of research concentrates on what people 'miss' once they become unemployed. A still authoritative study in this area is the one published by Jahoda et al. in 1933<sup>5</sup>, in which the authors drew a distinction between the 'manifest' and 'latent' functions of work for the individual. The manifest functions include the provision of income for the individual. The latent functions include such divergent aspects as the fact that work serves to structure time, that it generates social contacts, that it can lead to appreciation, self-respect and self-development and that it provides the citizen with an opportunity to draw up a life-plan. Notably, a number of the functions designated in the 1930s as 'latent' would now tend to be classed as 'manifest'. The fact that work and labour force participation have not only extrinsic value (such as the provision of an income) but also intrinsic value is increasingly evident nowadays and will be recognized as such by more and more people.

More detailed than the distinction between manifest and latent functions is that of the four dimensions of work: the expressive dimension, the economic dimension, the comfort dimension and, finally, the learning-improvement opportunity. The expressive dimension centres on the question as to whether people find their work interesting and varied; the economic dimension emphasizes the importance of income and material security; the comfort dimension underlines the importance of working conditions, and the learning-improvement opportunity is concerned with the fact as to

<sup>5</sup>]

M. Jahoda, P.F. Lazarsfeld, H. Zeisel, Marienthal: the sociography of an unemployed community; London, 1972 (first published 1933).

whether the work provides an opportunity for learning new things and accepting new responsibilities and challenges<sup>6</sup>.

A considerable body of empirical (generally international) comparative research has now been conducted into these dimensions. The problem of such research is that it tends to be inconclusive and that the results depend to a considerable extent on the methodology (i.e. conceptualization and operationalization). It appears though that the Dutch do not score well when it comes to 'work-orientation'; not as low as the British, but below the West Germans, Belgians, Israelis, Americans and Japanese<sup>7</sup>. This may be surprising to those who thought that the Calvinist work ethic was typically Dutch. On the other hand, the same research reveals that work remains one of the most valued areas of life. Of the five areas distinguished, namely leisure, work, religion, family and community, work comes in second place, after family but clearly ahead of leisure, religion and community. In this and other research<sup>8</sup> it emerges that in comparison with other people, the Dutch are not particularly materialist with respect to work but attach particular importance to pleasant working conditions (i.e. the comfort dimension). Learning-improvement opportunity does not generally score high in the Netherlands.

So far research has been examined that compares attitudes towards the value attached to work in various countries. If we confine our attention to research related solely to one country, it is clear that work is also regarded as desirable for its intrinsic worth, i.e. irrespective of its material benefits (the extrinsic value). Research has been conducted into this aspect by means of the 'lottery' question, in which respondents are asked to imagine that they had suddenly come into a large sum of money (from winning a lottery or from an inheritance, etc.) so that they no longer needed to work for their livelihood. Easily the majority of respondents state that they would wish to keep working. In a study conducted by the Institute for Social Research (IVA) dating from 1974 the figure was as high as 85 per cent, although of these the majority would wish to determine their working conditions themselves. Fewer than 15 per cent opted for not working<sup>9</sup>.

A similar result emerged from a study by Drenth and Van der Kooy in 1981 (14 per cent)<sup>10</sup>. In foreign studies the figure hovers around 20. Although

<sup>6</sup>] Cf. The Meaning of Work; International Research Team, London, Academic Press, 1987, p. 120.

<sup>7</sup>] *Ibid.*, p. 84.

<sup>8</sup>] Cf. Social and Cultural Planning Office, Social and Cultural Report 1980; The Hague, Staatsuitgeverij, 1986.

<sup>9</sup>] IVA (Institute for Social Research), Tilburg, 1974, quoted in: WRR, De verdeling en de waardering van arbeid een studie over de ongelijkheid in het arbeidsbestel; (The distribution and evaluation of work: a study of inequality in the labour system); Preliminary and Background Studies V4, The Hague, Staatsuitgeverij, 1976, p. 6.

<sup>10</sup>] P. Drenth and R. van der Kooy (1982), quoted in: P. Kampschuur, "Van arbeidsdeprivatie tot vrijetijd perk", (From labour deprivation to the leisure age), in: Psychologie; vol. 2 no. 9, 1983, p. 13.

the extent to which such fictitious situations bear any relation to reality may be called into question, it would appear that the majority of the labour force responds to the intrinsic value of work. Similarly the majority of unemployed persons take a decidedly negative view of their lack of work<sup>11</sup>.

A recent study into the long-term unemployed in three urban areas in Rotterdam, Amsterdam and Enschede revealed a pattern of subtle gradations in behaviour and preferences<sup>12</sup>. The researchers were particularly interested in the way in which the unemployed handle time, money and work. To begin with, the research findings indicate that there is no such thing as a typical unemployed person; the attitudes of the unemployed - including the long-term unemployed - can certainly not be lumped together. Based on Merton's well known classification of individual adaptation responses, the researchers distinguish six types of attitudes. The first of these consists of the *conformists* and covers 36 per cent of the population examined. Conformists continue to seek paid employment and a higher level of consumption, and in doing so employ the customary means, such as applying for jobs and visiting employment exchanges. In general they do not abuse the social security system and take little part in the black economy. The *ritualists* (9 per cent) have given up hope of employment and a higher level of consumption but continue to abide by the accepted institutional practices. The *retreatists* (25 per cent) do not or no longer seek work or a higher level of consumption but accept the status quo and make no use of the formal means and channels for achieving those goals.

These three categories are 'traditional' types of unemployed persons, as also encountered for example in the work of Jahoda et al. In addition, a number of more modern unemployment 'types' emerge from the study. In the first place the researchers detected a group of long-term unemployed whom they labelled as the *entrepreneurs* (10 per cent). These are people who have continued to seek employment and who also pursue a higher level of consumption, but who do so primarily by informal and illegal means. The *calculators* (9 per cent) are primarily out to increase their level of consumption and seek to do so by the abuse or improper use of social security benefits. Finally there are the *autonomous* (10 per cent), who heavily qualify or even reject the goals of both (formal) employment and consumption. These are the cultural rebels, who are active in neither the formal labour market nor the informal economy and who regard their benefit as in effect a basic income. For the 'modern' types the non-participation in employment turns out to be much less dramatic, in the sense that their individual well-being welfare suffers much less.

<sup>11</sup>] Cf. J.W. Becker, Reacties op werkloosheid; (Reactions to unemployment); Social and Cultural Studies, No. 13, Social and Cultural Planning Office, Rijswijk, 1989.

<sup>12</sup>] H. Kroft, G. Engbersen, K. Schuyt and F. van Waarden, Een tijd zonder werk; een onderzoek naar de levenswereld van langdurig werklozen; (A time without work: a study of the world of the long-term unemployed); Leiden, Stenfort Kroese, 1989.

The picture to emerge from these surveys may be summarized as follows. A high proportion of the unemployed (roughly a third of the total) is frustrated and disoriented but continues to seek work with a courage born of despair. These are the 'conformists' in the sense that they do what is expected of the unemployed: apply for jobs, go to the employment exchange, etc. For a further quarter of the unemployed the future appears to have lost all prospect; they can see no way forward. Their attitude can be described in terms of fatalism, withdrawal and isolation, manifesting itself in a wide range of complaints, including health disorders. Then there is a group of unemployed persons (again nearly a third of the total) who are not really burdened by unemployment, and finally there is a group of nearly 10 per cent that experiences unemployment as something positive. The latter group is variously described as the 'culturally unemployed' or 'autonomous' or 'alternative'. Up to a certain point this is an attitude of life designated by Inglehart as post-materialist <sup>13</sup>. Inglehart claimed to detect the vanguard of a process of cultural change in the 1970s. The 1980s have, however, once again demonstrated that it is dangerous to discern long-term trends on the basis of short-term developments.

### 1.3.3 The function of employment for social integration and participation

As we have seen, the economic function is not the only one that employment fulfills for the individual. Much the same applies to the functions of employment for society as a whole. At this level there is, of course, also a 'manifest' economic function; labour contributes to national wealth and prosperity as one of the factors of production. In addition, however, employment, and participation in employment, is one of the most important mechanisms for social integration. The classical sociologist Emile Durkheim noted the social-integration function of employment a century ago <sup>14</sup>. The question of social integration, including the mechanisms for promoting it, dominated sociological thinking for a large part of the 20th century. In the 1970s, however, it came to be viewed in a bad light; a culture which had to provide room for 'the alternative', considered social integration a contentious term and a sign of the limiting nature of civil society.

In the 1980s the commentary on social cohesion shifted emphasis, becoming a criticism of the way in which the welfare state made people dependent. In particular, this centered on the accusation of 'heteronomy': the system of arrangements known as the welfare state had developed a curious mechanism whereby individual citizens found themselves forced into a position of collective dependence. The evolution of the welfare state had been at the expense of independent citizenship. The process of growing dependence was, of course, a very gradual one and differed from group to group. Certainly those at the 'bottom' of society lost much of their social room for manoeuvre, but the middle groups also gradually accepted their

<sup>13</sup>] R. Inglehart, The Silent Revolution; changing values and political styles among western publics; Princeton, 1977.

<sup>14</sup>] E. Durkheim, De la division du travail social; étude sur l'organisation des sociétés supérieures; Paris, 1893.

client status. Ideological criticism of the welfare state from both left and right comes down to criticism of 'heteronomy', i.e. the dependence or passivity imposed from above on the individual citizen.

Against the background of this criticism of the heteronomy of the welfare state and the spirit of dependence to which this had given rise, the second half of the 1980s saw the emergence of the 'responsible society' as a political response to the future of the welfare state. This approach centres on the fact that citizens have become excessively dependent on government provisions. The solution in the 'responsible society' lies primarily in a greater measure of mutual care, encouraged for example by stimulating voluntary work. In this context such work is viewed as a significant form of social participation. The same period saw the development of the vision of an 'mobilizing welfare state', based on the same notion of an excessive dependence of citizens on the government. Inherent in the idea of the 'mobilizing welfare state' is the notion that a greater level of social participation cannot be left to the informal circuit alone, as this would exceed the latter's powers. According to this view, social participation would, without the integrating power of the formal labour system in the background, soon be found wanting; welfare policies lacking a solid socio-economic basis would lose effectiveness, irrespective of the question whether such policies were administered by government agencies or non-governmental organizations. Certainly now that under the impact of individualization processes the 'mediated dependence'<sup>15</sup> of the formal circuit - as this held sway for a long time for the female element of the population - has come to be viewed in a totally different light, the pressure for social participation to be realized primarily through employment could become greater.

This shift in emphasis has been summarized in a number of recent reports by the WRR under the heading of the 'mobilizing welfare state'. This concept centres on the question of the way in which the formal system of the welfare state can be 'mobilized' or, more specifically how the welfare state can be organized in such a way as to stimulate instead of inhibit active citizenship and active participation. Under this view, unemployment and other forms of non-participation need to be combatted primarily by means of employment, rather than exclusively or chiefly by the payment of benefits or by more ambitious welfare arrangements<sup>16</sup>.

In the latter vision, the significance of citizenship and social participation is therefore extended beyond the various areas of 'informal' participation to the field of formal labour force participation. As in the first vision, citizens-

<sup>15</sup>] This concept of 'mediated dependence' has a counterpart in 'mediated labour force participation'; the latter refers to the situation in which women were for a long time represented in the labour process in a mediated capacity by their menfolk and gained access to social interaction only through the status of their husbands' employment.

<sup>16</sup>] Cf. Scientific Council for Government Policy (WRR), An Active Labour Market Policy; Report to the Government no. 33, The Hague, Staatsuitgeverij, 1987 and *ibid.*, Immigrant Policy; Report to the Government no. 36, The Hague, SDU uitgeverij, 1989.

hip continues to signify a dual structure of responsibility, in which the active 'performances' of the state are at the same time the rights of the citizen and the active 'performances' of the citizen give expression to his democratic responsibility for society. This applied equally to the 'civic freedoms' of the 18th century as to the 'political rights' of the 19th century. From the viewpoint of the citizen, these rights and freedoms embrace both a passive guarantee element and an active opportunities element. However, in the institutionalization of the social - or 'third'<sup>17</sup> - dimension of citizenship in the 20th-century welfare state, above all the passive or guarantee element appears to have been shaped while the active or 'freedoms' element has been distinctly neglected.

For some time, this was offset by the cultivation and encouragement of informal and/or leisure behaviour. In addition coordination was sought with longer-standing traditions of voluntary initiative, such as voluntary work. Both received a significant boost in the 1970s and 1980s, not least because of the receding employment prospects. In the meantime, however, it has become clear that it is difficult to generate active citizenship by this means alone. Time and again it turns out that these 'informal' aspects of citizenship are also distributed primarily through the formal labour circuit. Research studies recurrently indicate that a large proportion of individual citizens' opportunities for participation are channelled through the allocation mechanism of formal employment. Studies of voluntary work have revealed that those with a good position in the formal labour circuit have a much greater chance of 'informal participation' than those outside that formal circuit. Much the same applies to acquiring a position in the informal labour market: anyone with a regular job has a much greater chance of 'grey' or 'black' work than someone without such a job. Formal labour force participation has therefore consistently played a role in opportunities for other kinds of participation.

This linkage of formal employment, individual citizenship and social integration could well become more important in the future. On the one hand because a growing number of individual citizens are anxious to achieve economic autonomy and on the other because the integrative power of all sorts of traditional links is eroding. In these circumstances labour force participation becomes an increasingly important means of filling the gap. Put differently, labour force participation - allowing always for new definitions of what constitutes employment - has become an increasingly important precondition and manifestation of social participation, cohesion and individual citizenship.

The discussion about the achievement of social cohesion through employment has recently come under renewed scrutiny in criminological research. On account of the tendency to establish simplistic, one-track correlations, the link between unemployment and crime has become controversial; even now, it remains difficult to screen sociological research from emotional prejudice. What has become clear is that there is a

<sup>17</sup>] T.H. Marshall, Class, Citizenship and Social Development; Chicago and London, 1963.

statistical relationship between unemployment and crime. The interpretation of that link is another matter. The most plausible line of argument would appear that of the Dutch sociologist Jongman, who assigns a 'conditional' causal significance to unemployment. According to Jongman unemployment breeds situations, attitudes and motivations that 'as it were, prepare the soil for crime'. Whether or not criminal behaviour in fact takes place depends on other factors. If these factors fail to bind people to society and people therefore have little to lose socially and relationally, the chance of criminal behaviour rises correspondingly. Since labour force participation also regulates other forms of social participation and integration to a significant extent, the absence of opportunities for employment would appear to increase the risk of social isolation and hence of crime.

It is also worth considering the proposition that a high labour force participation rate is a precondition for a democratic society with a mature citizenry. It is not so long ago that the wealth of a country was measured in terms of its ability to sustain as many people as possible outside the labour system. Certainly the hardships of industrial wage-labour should not be imposed on children, and women should also be spared this kind of physical labour. For women this meant that they ended up en masse in the house-hold sector and were involved in paid employment only before and outside marriage. For a long time, the division of labour was firmly supported by the breadwinner/family-centred philosophy and enjoyed universal support.

Doubts began, however, to be expressed in the second half of the 1960s, in line with the changes in the nature of paid employment. While young people were increasingly staying on at school and going to university, women were increasingly turning to the formal labour market. On this occasion this was not just based on industrial necessity and/or the need for income; emancipation objectives played a major role. Changes in the quality of employment on offer, with decreasing emphasis on the physical side, were also important.

A call for higher labour force participation in the Netherlands should not be judged in terms of the criteria of a previous period. Such a call should therefore not be confused with nostalgia for a bygone work ethic or even work duty, or with a disguised strategy to combat antisocial tendencies. The call for higher labour force participation is instead based on individual wishes in the sphere of economic independence and self-development and on social values in relation to integration and participation.



## 2.1 Introduction

Anyone familiar with hiking in the mountains knows the importance of studying a decent map beforehand in order to establish the best route between points A and B. This applies equally to those out to scale the highest peaks or tackle the steepest climbs as it does to those seeking the easiest route. Even though maps are an abstraction of reality they help the users to form an impression of what they are likely to encounter. This enables appropriate measures to be taken, ranging from a change in route to taking along crampons and ropes.

This chapter fulfills a similar function in this report. The aim is to provide a clear picture of labour force participation in the Netherlands. This in turn enables short-term developments in this field to be more accurately assessed on their merits. This applies both to developments in the event of unchanged policies and to the possible consequences of all manner of policy interventions.

## 2.2 Formal labour force participation in the Netherlands in an international perspective

### 2.2.1 Statistics: pitfalls and uncertainties

This section is concerned with the extent to which people perform paid employment, i.e. the active labour force. It is, to begin with, worth examining the statistics themselves: what are they concerned with, where can they be found, how have they been collected, and how reliable are they?

It is customary in cross-national comparisons to assume that the potential labour force is formed by the population aged between 15 and 65, less the schoolchildren and students in full-time education. Those aged under 15 are subject to compulsory education while those aged over 65 are in compulsory or voluntary retirement. The actual labour force - also defined as the economically active population - is smaller than the potential labour force since a number of people are, for various reasons, unwilling or unable to participate in the labour system. This applies especially to housewives, students and the disabled. The gross participation rate in persons therefore consists of the actual labour force divided by the relevant population group. If unemployment is left out of account, this leaves the active labour force. The net participation rate in persons is equal to the size of the active labour force divided by the relevant population group.

The extent of full-time or part-time employment varies considerably from country to country and over time. By converting employment into man-years - i.e. into the number of hours regarded as typical for a full-time job in a particular year - and dividing this figure by the relevant population group, we arrive at the net participation rate in man-years.

In addition, the number of hours making up a man-year can vary from country to country. Comparative international statistics on labour force participation are published by the Organization for Economic Cooperation and Development (OECD) <sup>1</sup>.

In 1987 the Central Bureau of Statistics (CBS) commenced its Labour Force Survey (EBB), replacing the Manpower Count. The switch brought to light a number of problems in relation to measuring (i.e. observing) the number of persons in employment. In 1987 approximately 750,000 more employed persons were observed than in 1985. This difference was only in part - approximately 350,000 - attributable to an actual growth in employment, as measured by the Quarterly Employment Statistics. The remainder of the increase was due to the fact that the CBS's employment tally had become more complete; some 400,000 extra employed persons were registered under the Labour Force Survey compared with the (former) Manpower Count.

The improved registration is due to the switch from a survey conducted in the spring to monthly surveys using the CBS's own pollsters, who are more familiar with the material. Some of the questions were also changed <sup>2</sup>. It should be noted that the Labour Force Survey also includes paid informal work.

The consequences of the improved registration under the Labour Force Survey stand out clearly in figure 2.1. (The figures are placed at the end of this chapter.) The figure shows the development of labour force participation in the Netherlands between 1960 and 1989, separated into gross and net labour force participation in persons and net labour force participation in man-years. The discontinuity in the time-series, expressed in persons, as occurred in 1987, emerges clearly from the figure. The net labour force participation rate, expressed in man-years, displays no such

<sup>1</sup>] For example OECD, Historical Statistics, 1960-1988; Paris, 1990, OECD, Labour Force Statistics, 1968-1988; Paris, 1990 and OECD, Employment Outlook; Paris, various years.

<sup>2</sup>] See CBS, Enquete Beroepsbevolking 1987: voornaamste uitkomsten (Labour Force Survey 1987: principal results); Voorburg/Heerlen, pp. 25-26. To take an example, one question was originally worded: "Do you perform no paid work whatever, even if only for a few hours a week or for a brief period?" In the Labour Force Survey, by contrast, a positive question was included: "Do you perform paid work, even if only for one or a few hours per week or for a brief period?" Partly as a result a greater number of jobs of under 20 hours a week were recorded. The impression abounds that students with a job on the side are now much more frequently classed as employed than hitherto. It is, however, open to question whether such inclusion is desirable, as these young people are students with a job on the side, rather than employees in training. For these reasons a more restrictive approach towards the employed labour force would appear desirable, although this would have the disadvantage that the definition applied in the Netherlands would then depart from that employed internationally.

discontinuity as these figures are based not on the Manpower Count and Labour Force Survey but on all available sources <sup>3</sup>.

In contrast to the present day, part-time work was still comparatively rare in the 1960s, which is one reason for supposing that the figures on labour force participation in those years are comparatively complete. This applies particularly to the figures for 1960 and 1971, which are based on the Censuses, in which everyone is required by law to provide information. For these reasons the description of labour force participation trends will henceforth be based on the years 1960, 1971 and 1988 or 1989.

In the case of the gross participation rate in persons there has been an increase from 62 in 1960 (followed by a dip to 59 in 1971) to 65 in 1989. The net participation rate in persons has barely changed over a 30-year period from 61 in 1960 to 58 in 1971 and 60 in 1989. The figure shows that the dip in first half of the 1980s was followed by a recovery starting in 1984.

In the case of the net participation rate in man-years, however, there has been a sharp fall, from 60 in 1960 to 57 in 1971 and 48 in 1989 <sup>4</sup>.

The overall trend saw a slight decline in the 1960s, accelerating in the 1970s. A recovery set in in 1984, but in terms of the labour force participation in man-years, this has only partly offset the earlier decline <sup>5</sup>. In this respect it has to be reminded that in 1960 a man-year stood at 2,307 hours, while in 1989 the figure was down to 1,740 hours <sup>6</sup>. Also striking is the sharply increased discrepancy between the gross and net participation rates with the increase in unemployment.

The switch to the Labour Force Survey indicated the importance of definitions and measurement in determining the volume of employment.

As a result of this change, the labour force participation rate rose at a stroke by 4 per cent. This may also be regarded as an indication of the margin of interpretation required in a cross-national comparison, since it is possible that the scale of employment is also underestimated in other countries - or, in theory, overestimated. In the case of the Netherlands it may be assumed that the Labour Force Survey provides a reliable picture

<sup>3</sup>] See Central Bureau of Statistics, Nationale rekeningen 1989 (National Accounts 1989); SDU uitgeverij, The Hague, 1990. According to information from the CBS the figures from 1987 onwards will be revised in the light of the results of the Labour Force Survey. See also CBS, Arbeidsrekeningen 1987 (Labour Statistics 1987); SDU uitgeverij, The Hague, 1990, p. 80.

<sup>4</sup>] Following the revision referred to in footnote 3, the figure for 1989 is expected to come to 51.

<sup>5</sup>] The decline is partly related to the minimum school leaving age, which has steadily been raised, and the falling retirement age. Similar trends have taken place in most other countries.

<sup>6</sup>] See Scientific Council for Government Policy (WRR), Scope for Growth; report to the Government no. 29, The Hague, Staatsuitgeverij, 1987, and Central Bureau for Statistics, Statistisch Bulletin; Vol. 48, no. 31, 2 August 1990.

with little under- or overestimation <sup>7</sup>. In addition, it is highly unclear whether the same thing is being measured everywhere.

A comparison of labour market surveys in various countries indicates that the phrasing of the questions - which, as we have seen, can affect the result - can vary considerably from country to country <sup>8</sup>. Unfortunately there is no standardized survey at international level <sup>9</sup>.

## 2.2.2 Labour force participation: cross-national comparisons

### *Background*

This section examines labour force participation in the Netherlands from various angles. To begin with consideration is given to the number of persons in employment, subdivided by sex and age. The section proceeds to examine the impact of part-time employment and the relationship to per capita income.

How does the participation rate in the Netherlands compare with that in other countries? Figure 2.2 sets out trends in the gross and net participation rates in persons in the Netherlands and for the average in the OECD <sup>10</sup>.

In both cases the participation rate in the Netherlands in 1989 (i.e. based on the Labour Force Survey figures) is considerably below the OECD level.

A comparison of the figures for 1960, 1971 and 1988 indicates that the gap between the Netherlands and the OECD-average initially opened up, after which it remained virtually unchanged from 1971 onwards. The gross participation rate for the OECD remains fairly constant, while the net rate in 1988 is somewhat below that in 1960. The fall in the net participation rate of the OECD countries during the period 1981-1984 has since been reversed. On account of the break in the trend in 1987, it is difficult to establish any pattern for the Netherlands.

The path taken by labour force participation in the OECD is the net outcome of the various upward and downward movements in the individual member states. Figure 2.3 sets out the trends in a number of separate

<sup>7</sup>] From the Labour Accounts 1987 published by the CBS it is evident that the figures in the Labour Force Survey correspond closely with those drawn from the records of company and institutions. Table 18 of that publication indicates that there is no reason to suppose that the Labour Force Survey overestimates the observed active labour force. See CBS, Arbeidsrekeningen 1987; SDU uitgeverij, The Hague, 1990.

<sup>8</sup>] Compare for example the labour market surveys of the 12 EC member states, which form the basis for the Eurostat Labour Market Survey. These labour market surveys are also used by the OECD. Figures on adjustments in national labour market surveys and the consequences for the results may be found in the notes on the various countries in the OECD's annual Labour Force Statistics. See for example Federal Republic of Germany, from 1987 onwards, and Australia and New Zealand, from 1986 onwards.

<sup>9</sup>] EUROSTAT also does no more than to compile the data, collected by the various national statistical bureaus on the basis of the questionnaires drawn up by those bureaus themselves.

<sup>10</sup>] The weighting is based on the size of the population aged 15-64.

regions, while Table 2.1 shows the net participation rate in persons for individual countries in a number of sample years<sup>11</sup>.

It may be seen that the trends in the various regions and countries conflict, with an increase in labour force participation in Scandinavia and the Anglo-Saxon countries and a fall in Western and Southern Europe.

<sup>11</sup>]

The regions in question are as follows:

- Scandinavia: Denmark, Finland, Iceland, Norway and Sweden
- Western Europe: Federal Republic of Germany, France, Austria, Belgium, Luxembourg and Switzerland
- Southern Europe: Greece, Italy, Portugal and Spain
- Anglo-Saxon countries: Australia, Canada, United Kingdom, Ireland, New Zealand and United States.

The latter group covers the English-speaking members of the OECD. The regions have been classified on the basis of geographical location or linguistic links. With the exception of Spain (in Southern Europe) and Ireland (Anglo-Saxon countries) the pattern of participation within each region is fairly consistent. In this connection see also Table 2.1. The regional participation rates are a weighted average of the countries in question.

**Table 2.1 Net participation rate in persons, males and females**

Country	1960	1971	1988	1960-71	change 1971-'88
Netherlands	61	59	59	-2	0
OECD	67	65	66	-2	1
<b>Scandinavia</b>	<b>71</b>	<b>71</b>	<b>78</b>	<b>0</b>	<b>7</b>
Denmark	70	75	78	5	3
Finland	77	70	74	-7	4
Iceland	68	70	84	2	14
Norway	64	64	78	0	14
Sweden	73	73	81	0	8
<b>Western Europe</b>	<b>69</b>	<b>68</b>	<b>62</b>	<b>-1</b>	<b>-6</b>
Belgium	59	62	57	3	-5
F.R. Germany	70	69	64	-1	-5
France	69	66	59	-3	-7
Luxembourg	62	64	67	2	3
Austria	69	67	65	-2	-2
Switzerland	76	77	76	1	-1
<b>Southern-Europe</b>	<b>62</b>	<b>58</b>	<b>53</b>	<b>-4</b>	<b>-5</b>
Greece	62	56	55	-6	-1
Italy	63	56	54	-7	-2
Portugal	58	64	64	6	0
Spain	60	60	47	0	-13
<b>Ang.-Sax.Cntries</b>	<b>64</b>	<b>64</b>	<b>71</b>	<b>0</b>	<b>7</b>
Australia	65	68	67	3	-1
Canada	59	61	70	2	9
U.K.	71	70	69	-1	-1
Ireland	64	61	51	-3	-10
New-Zealand	63	64	69	1	5
U.S.	63	63	72	0	9
Turkey	80	67	53	-13	-14
Japan	75	71	71	-4	0

Source: OECD, Historical Statistics; Paris, various years.

Table 2.1, which sets out the figures for the individual countries and regions, clearly shows the differences in level and direction. Some countries, such as Iceland and Sweden, have a high proportion of persons in employment (over 80%), while others, such as Ireland and Spain, have a low participation rate (50% or under). The percentage of employed persons

in the Netherlands is at present near the West European average and virtually corresponds with that in Belgium and France. In the Federal Republic of Germany the percentage is somewhat higher.

In some countries, such as Iceland, the United States and Canada, there has been a sharp rise in labour force participation, while in others, such as Turkey, Ireland, Spain and France, there has been a sharp fall. The figures for the regions clearly express the division evident in Figure 2.3: Scandinavia and the Anglo-Saxon countries have a high and rapidly growing participation rate, while in Western and Southern Europe the participation rate has been low and falling sharply. Within the EC, Denmark, the United Kingdom and Germany lead the field with respect to the proportion in employment, the Netherlands, Belgium and France form part of the middle ground and three of the four Southern European countries trail the field.

Consideration has been given elsewhere as to whether the differences in net participation rates are attributable to differences in unemployment. This did not prove to be the case <sup>12</sup>. Nor are differences in population structure a major factor in the net participation rate <sup>13</sup>. Similarly it is not possible to explain the differences in terms of the extent to which people aged over 64 remain in employment <sup>14</sup>.

#### *Labour force participation by sex*

Given that the total participation rate, expressed in persons, in the Netherlands is at present back to 1960 levels, the question arises as to whether and in what way trends in labour force participation by sex differ from the overall trend. Figure 2.4 shows the development of labour force participation in the Netherlands by sex. It may be seen that the number of women in employment is rising, while that of men is falling noticeably. Among males, the net participation rate in 1988 was over 20 percentage points lower than in 1960, a fall almost fully offset by the rise in the female participation rate. The result is that the combined net participation rate in persons is at present at much the same level as it was in 1960, namely 60 per cent. These changes result in the fact that the share of women in total employment (expressed in persons) has increased from nearly 22 per cent in 1960 to roughly 37 per cent in 1988 <sup>15</sup>.

12] See C.W.A.M. van Paridon, Arbeidsmarktparticipatie in Nederland: plaatsbepaling in internationaal perspectief; (Labour market participation in the Netherlands in an international perspective); WRR, Working Document W47, The Hague, 1990.

13] If the population of a country contains a comparatively large number of people aged 15-65, that country will require a lower participation rate for the same level of employment than a country in which that element of the population forms a comparatively small proportion.

14] For some countries the consequences of this correction are substantial. In the case of Norway, for example, the participation rate falls by 8.5 percentage points and for Japan by 3.5 percentage points on account of the large number of people aged 65 and over in these countries who are still active in the labour market.

15] If employment is measured in terms of man-years, the figure for women is 29 per cent.

To what extent do the labour force participation trends among males and females in the Netherlands differ from those in other countries? As may be seen from Figure 2.5, the dominant trend among males is clear: labour force participation is falling universally. The extent of the fall, however, varies considerably, from a comparatively limited drop in Scandinavia and the Anglo-Saxon countries to a sharp fall for most countries on the European continent <sup>16</sup>. Although the participation rate for males in the Netherlands in 1960 was comparatively high - 5.5 percentage points above the OECD level - the rate in 1988 was among the lowest, 4.5 percentage points below the OECD average.

Figure 2.6 reveals that the net participation rate of women in virtually all OECD countries rose during the period 1960-1988, but that there are large variations <sup>17</sup>. In Scandinavia and most Anglo-Saxon countries there has been a sharp rise, while on the European continent growth has been much more moderate <sup>18</sup>. The labour force participation of Dutch women is relatively low, although there has been a considerable rise over the last two decades, from 28 per cent in 1971 to 44 in 1988.

In virtually all countries there is a discernible link between the labour force participation rate of women with children and the age of their children. In addition there are major differences between countries in the extent to which women with children participate in the labour market. Relevant figures are provided in Table 2.2. It may be assumed that the provision of child-care facilities is a significant factor in these differences <sup>19</sup>.

<sup>16</sup>] More detailed figures on the net participation rate in persons of men and women per country may be found in C.W.A.M. van Paridon, 1990 op. cit.

<sup>17</sup>] The net participation rate in persons of women has fallen in Japan, Italy and, above all Turkey (from 73.5 per cent to 42.1 per cent!).

<sup>18</sup>] A notable high-flyer has been Portugal, where the net labour force participation rate of women has increased from 19.9 to 42.1 per cent.

<sup>19</sup>] See OECD, Employment Outlook 1990; Paris, 1990, Chapter 5.

**Table 2.2** Gross participation rate in persons for females, according to age of youngest child, 1987

	Age of youngest child		
	0-2	3-5	6-13
Netherlands	32	43	50
W. Germany	39	44	54
United Kingdom	41	57	74
Italy	48	49	48
United States	54	64	74
Canada	60	66	73
France	62	68	72
Belgium	69	70	62
Denmark	86	90	91

Source: OECD, *Employment Outlook 1990*; Paris, 1990, p. 125.

Is there a link between the net participation rates of men and women? It might be expected that a high net participation rate among males was associated with a low rate among females, reflecting the division of labour within and outside the home. Developments over time in the Netherlands confirm this supposition. A cross-sectional analysis of the figures for the OECD countries, however, yields a different result. Figure 2.7 indicates a significant positive association for 1988: the higher the participation rate of men, the higher that of women. The figure also clearly reveals the low labour force participation rates in the Netherlands for both males and females.

The conclusion to emerge from this section is that the net participation rate of males in the Netherlands has declined significantly and much more sharply than the average pattern in other countries. Among females, on the other hand, there has been an increase in the participation rate. The present level is close to that in other West European countries. The gap on Scandinavia and North America, however, has barely narrowed.

#### *Labour force participation by age*

Apart from sex, age is an important criterion in the labour market. In terms of age there is a clearly discernible pattern, with labour force participation first rising and then falling sharply at a later stage<sup>20</sup>.

Compulsory schooling and study obligation may be held responsible for the lower participation rate among youngsters, while sickness, unemployment and disablement contribute to the lower rate among the elderly.

20]

In some countries, including the Netherlands, there was a twin-peak pattern among women, starting with a peak at an early age, followed by a dip as they bear children, a further peak as women re-enter the labour market, and a decline as women leave the labour market with age. The fact that women with children now generally keep working means that the trough in the middle period is gradually disappearing.

As may be seen from Figure 2.8, a pattern of this kind is observable for both the Netherlands and the OECD <sup>21</sup>.

Three further observations may be drawn from this figure. In 1989 the net labour force participation in persons for each age group in the Netherlands is below that in the OECD as a whole, with the exception of the 16-24 years age group. The low net participation rate in the Netherlands cannot be attributed to any variation in the age structure of the population or the labour force, as the difference applies across the board. Secondly, the Netherlands follow the OECD pattern of a rise in the participation rate in the 25-54 years age bracket followed by a decline in the 50-64 years and 65+ age groups. Thirdly, the later decline is much stronger in the Netherlands than in the OECD. In the 1989 figures the participation rate of those aged 65 and over has been set at zero.

Figure 2.9 once again reveals that the increase in the net participation rate in middle age-bracket in the Netherlands is primarily caused by a rise in the female participation rate. The figure shows the net participation rates by age for men and women in 1972 and 1989. Among males the participation rate falls especially between the ages of 55 and 64. Among females the net participation rate rises between the ages of 25 and 54, while among younger and older women the rate remains unchanged.

If the situation in 1989 is examined in closer detail, it may be seen that the lower net participation rate in each age group in the Netherlands as compared with the OECD average applies to both males (above the age of 35) and females. Figure 2.10 indicates how large the differences remain among females or become among males over the age of 55. The net participation rate for males in the Netherlands in the 55-64 years age group is lower than that for females in the same age group in the OECD.

It may be concluded that the low net participation rate in the Netherlands seems to be particularly related to the low net participation rate among older employees and women. As far as the pattern over time is concerned, the rise in the net participation rate among females at all ages is offset by a decline among (in particular) older men.

#### *Labour force participation and part-time employment*

Another relevant aspect for placing the net participation rate in the Netherlands in proper perspective consists of the extent to which people are in part-time employment. So far labour force participation has been described in terms of individuals, i.e. irrespective of the length of working hours. By converting part-time jobs into full-time units, the net participation rate may be expressed in man-years.

<sup>21</sup>]

For the OECD a weighted average has been calculated on the basis of figures for 15 countries, derived from OECD, *Labour Force Statistics 1968-1988*; Part III, Paris, 1990. These 15 countries account for 90% of total OECD employment, so that the figure is reasonably representative.

**Table 2.3 Gross and net participation rates in the Netherlands in persons and man-years, 1960, 1971 and 1988**

Males and females	1960	1971	1988	1960-'71	1971-'88
Gross, in persons	62	59	65	-3	6
Net, in persons	61	58	59	-3	1
Net, in man-years	60	57	47	-3	-10
<b>Males</b>					
Gross, in persons	98	89	79	-9	-10
Net, in persons	97	88	74	-9	-14
Net, in man-years	95	87	66	-8	-21
<b>Females</b>					
Gross, in persons	26	28	51	2	23
Net, in persons	26	28	44	2	16
Net, in man-years	25	25	26	0	1

Source: OECD, Historical Statistics 1960-1988; Paris, and own WRR calculations.

The marked divergence in the volume of employment, expressed in man-years, and the labour force participation rate in persons after 1971 emerged already in Figure 2.1. Table 2.3 sets out the trends in the various measures of labour force participation for males and females for 1960, 1971 and 1988. The figures for the net participation rate in man-years for the total have been derived from the Central Bureau of Statistics' National Accounts, while the necessary P/M ratios<sup>22</sup> for males and females have been calculated from a Central Planning Office publication<sup>23</sup> and from the Manpower Count and Labour Force Survey. The figures indicate that the net participation rate in man-years barely changed during this period. Among males there is a continuing but decreasing fall. Among women there has been an increase, but the 1988 level barely differs from that in

<sup>22</sup>] The P/M ratio stands for the Persons/Man-years ratio, i.e. the ratio between the number of people in work and the number of man-years worked by those individuals. If everyone has a full-time job, the P/M ratio is equal to 1. If on the other hand everyone has a part-time job equal to 50% of a full-time job, the P/M ratio would then be 2.

<sup>23</sup>] J.M.J. op de Beke, Herziening Trendmatig Arbeidsaanbod 1985-2000 (An Appraisal of the Secular Supply of Labour 1985-2000); Internal CPB Memorandum, 24 August 1987.

1960<sup>24</sup>. In other words, although the number of women in work has increased sharply, the participation rate in man-years has hardly changed.

This striking divergence between the net participation rate in persons and that in man-years raises the question as to whether the same applies in other countries. It could be that countries in which there has been a marked increase in the net participation rate in persons have also seen a marked increase in part-time employment, as a result of which the net participation rate in man-years would be much less pronounced. It would not be illogical to assume that the participation rate in a particular country will be positively correlated to the level of part-time employment: the greater the level of participation in the labour system the more people may be expected to work part-time in order to leave time for household activities. The higher the net participation rate in persons, the higher the level of part-time employment.

Table 2.4 contains figures for 19 countries on the share of part-time employment in total employment as well as net participation in persons according to sex<sup>25</sup>. The countries have been ranked in ascending order according to the proportion of part-time employment.

Table 2.4 shows that the volume of part-time employment in the Netherlands is strikingly high by international standards. Only Scandinavia (with the exception of Finland) shows a comparable percentage of part-time employment. This makes the low participation rate in the Netherlands all the more striking. As may be seen from Figure 2.11, the presumed relationship between the level of part-time employment and the net participation rate in persons does indeed exist, with the Netherlands as a remarkable exception<sup>26</sup>.

24 ] It should, however, be borne in mind that the 1988 figures are at present being revised by the CBS. The total net participation rate in man-years is expected to increase by three percentage points. See footnotes 4 and 5 to this Chapter.

25 ] The OECD does not publish time-series on part-time employment. The figures used here have been derived from OECD, Economic Observer; no. 158, 1989, statistical annex. The definition of part-time employment is not standardized.

26 ] For the total the correlation coefficient (  $R^2$  ) for this relationship in 1987 comes to 0.38 with and 0.61 without the Netherlands. The correlation for males and females separately is also statistically significant, with the Netherlands as the principal 'oddy'.

**Table 2.4 Percentage of part-time workers (PT) and net labour force participation rate, in persons (LPR), in 1987, for total, males and females**

	Total		Males		Females	
	PT	LPR	PT	LPR	PT	LPR
Greece	5.5	54	2.7	72	10.8	37
Italy	5.6	54	3.2	73	10.4	35
Ireland	7.1	51	3.1	68	15.4	33
Luxembourg	7.1	65	2.0	87	16.7	45
Finland	8.0	73	4.8	77	11.4	70
Austria	8.6	63	1.7	74	19.0	52
Belgium	9.9	57	1.9	70	24.2	44
France	11.8	59	3.6	69	23.1	48
W. Germany	12.7	61	2.0	74	29.5	47
Canada	15.5	69	7.6	79	26.3	59
Japan	16.6	70	7.3	85	30.5	56
New-Zealand	17.1	72	6.8	82	30.0	61
United States	17.3	71	10.2	80	26.1	62
Australia	20.0	66	7.4	79	39.2	53
United Kingdom	21.9	68	5.3	78	26.1	58
Denmark	24.2	77	9.3	83	42.2	71
Netherlands	24.9	58	9.2	73	54.8	42
Sweden	25.1	80	6.7	82	45.1	78
Norway	34.9	79	18.1	86	56.3	71

Source: OECD, Economic Observer; no.158, May 1989 (PT) and OECD, Historical Statistics 1960-1987; Paris, 1989 (LPR).

For the Netherlands it was noted earlier that the net participation rate in man-years differs sharply from that in persons. It is now possible to make a similar calculation for the 12 EC member states<sup>27</sup>. The results are set out in Table 2.5, where the countries have been ranked in terms of the net participation rate in man-years for the total. While the Netherlands occupies an intermediate position in terms of the net participation rate in persons, it is virtually at the bottom of the league, along with Spain and Ireland, when it comes to participation in man-years. This applies to both the total and to males and females separately.

Finally there are cross-national differences in the number of hours worked per man-year. These differences depend on the one hand on the number of

<sup>27</sup>]

In contrast to the OECD, EUROSTAT has detailed statistics on the breakdown of employment by hours worked for the EC member states for 1983, 1985 and 1987. These statistics have been collected as part of EUROSTAT's Labour Force Survey. On the basis of statistics supplied on disk, the P/M ratios have been calculated for the various countries. See further C.W.A.M. van Paridon, 1990, op. cit.

hours worked per week (with or without overtime), and on the other on the number of public holidays and absenteeism on account of sickness, leave or strike-action. OECD figures reveal that there are significant variations between countries in the average number of hours worked per week <sup>28</sup>. In Japan, for example, a full-time job in 1987 was classified as having 2,253 hours, while in Sweden the figure was set at 1,654 hours and in the United States at 1,970. With a figure of 1,755 hours, the Netherlands falls in the same bracket as West Germany, with 1,732 hours, and France, with 1,787 hours. The average number of hours worked shows a clear decline over time in all countries.

*Labour force participation and per capita national income*

The extent to which countries make use of the potentially available manpower, in terms of both individuals and man-years, varies considerably. The question arises as to whether these differences are also reflected in earned income; it is conceivable that a comparatively low participation rate would be offset by comparatively high labour productivity.

<sup>28</sup>]

See OECD, Employment Outlook 1990; Paris, 1990, pp. 19-22.

**Table 2.5 Net labour force participation rate in persons and man-years, for the 12 EC member states, for total, males and females, 1987**

	Total		Males		Females	
	(1)	(2)	(1)	(2)	(1)	(2)
Portugal	63	63	81	83	53	50
Luxembourg	65	62	87	86	46	40
Denmark	78	62	84	74	72	49
W. Germany	63	60	77	78	50	41
United Kingdom	68	56	77	74	58	37
Belgium	56	53	69	70	44	36
Greece	54	53	72	73	37	33
France	59	53	70	68	48	38
Italy	54	50	73	71	35	30
Ireland	51	49	68	70	33	27
Netherlands	58	47	73	65	42	26
Spain	46	44	65	63	27	24
EC average	59.0	53.3	73.0	71.5	44.9	35.0
NL/EG	98.4	87.8	100.4	91.2	94.0	73.1

(1) Net participation in persons

(2) Net participation in man-year

Source: OECD, Historical Statistics 1960-1988; Paris, 1990, EUROSTAT, Labour Force Survey; Luxembourg, 1989, and own WRR calculations.

Figure 2.12 shows the results for 1987 for the 12 EC member states with respect to gross national income per head and per man-year<sup>29</sup>. The differences, both between countries and between the two measures, are striking. Whereas the Netherlands is in sixth place in terms of per capita national income, it tops the league when it comes to national income per man-year. France, Italy and the United Kingdom also score highly on the latter measure. By contrast Denmark and West Germany slide heavily down the scale when the switch is made from national income per head to national per man-year.

<sup>29</sup> ]

The data on income have been derived from the OECD, National Accounts 1968-1988; Paris, 1990. The incomes are expressed in PPPs (Purchasing Power Parities). Under this system the various currencies are not converted with the aid of exchange rates but on the basis of observed price differences between the countries for the acquisition of a standard package of goods and services.

As far as known, detailed, comparable data on the number of hours worked, as required for determining the P/M ratio, are available only for the twelve EC member states. To enable comparisons with the differing levels of labour productivity in those OECD countries not in the EC, the P/M ratios for these countries have been calculated by a different method<sup>30</sup>.

With the aid of these P/M ratios, national income per head, per employed person, per man-year and per man-hour were calculated. The results are shown in Table 2.6. By way of comparison the table also includes the results for a number of EC member states.

**Table 2.6** Gross national income per head, per employed person, per man-year and per man-hour, 1987 (United States = 100)

	Income per hd.	Income per emp.p.	Income per man-yr.	Income per man-hr.
United States (in \$)	18297	39090	44078	22.69
United States	100	100	100	100
Canada	94.1	94.6	93.1	94.9
Netherlands	66.6	78.0	84.5	94.9
France	69.9	84.4	82.4	90.8
Sweden	76.8	69.6	74.4	88.6
Germany	72.7	76.5	71.2	81.0
Japan	71.9	69.6	69.2	60.5

Source: OECD, National Accounts 1968-1988; Paris, 1990 and own WRR calculations.

In relation to the United States the relative position of Canada, West Germany and Japan varies little if at all whether national income is measured per man-hour, per man-year, per employed person or per head. However, other countries - most notably the Netherlands and France - climb up the scale appreciably. Also striking is the relatively low position of both West Germany and Japan. Once again, it should be emphasized that the figures for the non-EC countries are based on an approximation of the P/M ratio.

<sup>30</sup>]

Data on the scale of part-time employment are published at OECD level. The P/M ratios for the 12 EC member states have been calculated for the years 1983, 1985 and 1987. On the basis of 32 observations (10 in 1983 and 1985 and 12 in 1987) the following correlation was established: P/M ratio = 0.9683 + 0.0101 scale of part-time employment  
(95.6) (14.4)

with an R<sup>2</sup> of 0.87. Separate analysis for the three sub-groups revealed only minor differences. This correlation was then used to calculate the P/M ratios for those OECD countries not in the EC.

Nevertheless, national income per man-year, and certainly per man-hour, is strikingly high in the Netherlands, suggesting a high level of labour productivity<sup>31</sup>. It is not implausible that this high level of productivity is both caused by and responsible for the high level of long-term pre-unemployment, disability and retirement. The level of productivity rises because less productive members of the labour force are eased out since the high level of taxation and social security charges obliges industry to attain a higher level of labour productivity.

## 2.3 Conclusion

In comparison with other OECD countries the Netherlands has a low labour force participation rate. On the basis of the figures for 1988, 59 persons in the Netherlands were in paid employment per 100 inhabitants aged between 15 and 65. In the United Kingdom the figure is 10 higher, in the United States 13 higher and in the five Scandinavian countries 19 higher. In France and Belgium approximately the same proportion of people are in paid employment, while in West Germany the figure is only slightly higher. In Greece, Italy and Spain far fewer people per 100 adults work than in the Netherlands and in Portugal far more.

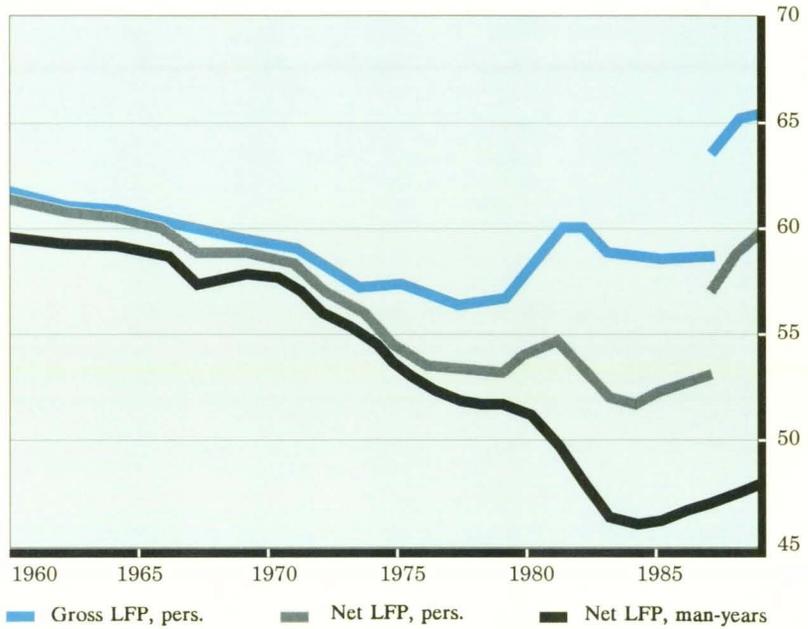
The picture changes considerably, however, if the high level of part-time employment in the Netherlands is taken into account. This factor means that the number of man-years per 100 adults in the Netherlands is the lowest in the EC after Spain and substantially down on that in France, Belgium and West Germany. Finally, if allowance is made for the cross-national differences with respect to the number of hours worked per man-year, the participation rate in the Netherlands lags even further behind that in the United States. In relation to West Germany and France the picture does not change greatly, while the gap on Sweden narrows slightly since a full-time working week is shorter than in the Netherlands.

The low participation rate in the Netherlands is coupled with a per capita income slightly above the EC average. The income per man-year is the highest in the EC. This also applies to income per man-hour. Both these indicators are close to the United States levels.

The low labour force participation rate is largely attributable to the sizeable level of unemployment and the low participation rates of women and older men. The latter is in turn related to the high number of recipients of a disability allowance. The displacement of labour through unemployment, retirement and disability strengthens the high level of labour productivity and vice versa.

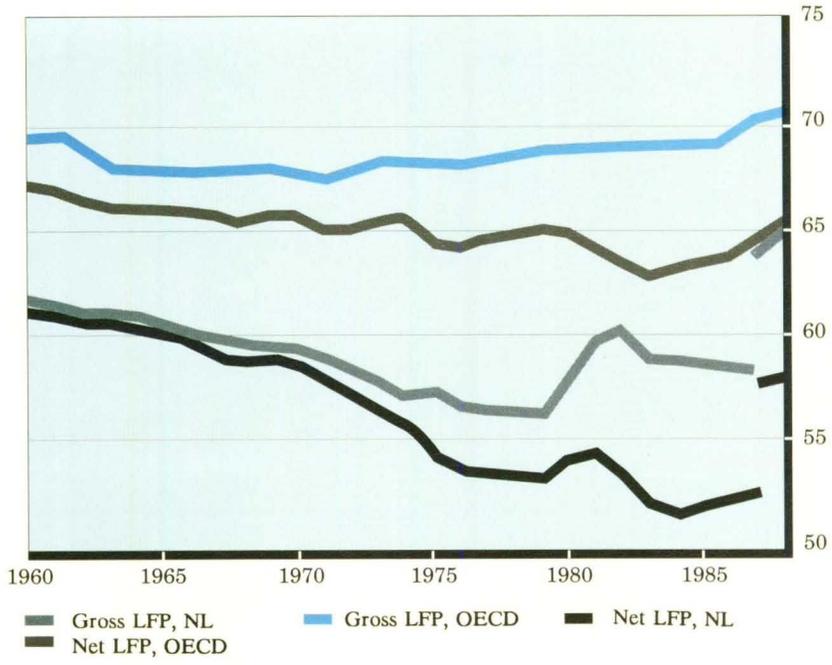
<sup>31</sup>] The results presented here are an approximation of labour productivity. No account has been taken of the contribution to national income of natural resources and capital. Calculations in section 4.2 based solely on the factor of labour provide corresponding results to those presented here.

**Figure 2.1 Labour force participation in the Netherlands for the population aged 15-64, 1960-1989**



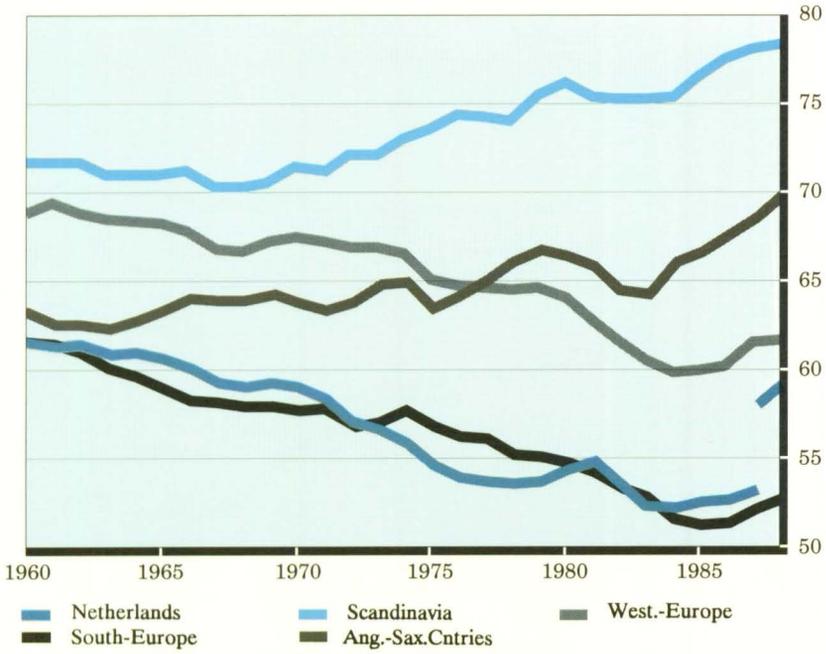
**Source:** OECD, Historical Statistics 1960-1988; Paris, 1990, and Central Planning Office, Economisch Beeld 1991 (Economic Outlook 1991); SDU uitgeverij, The Hague, 1990, p. 85.

**Figure 2.2 Labour force participation in persons, in the Netherlands and the OECD, 1960-1988**



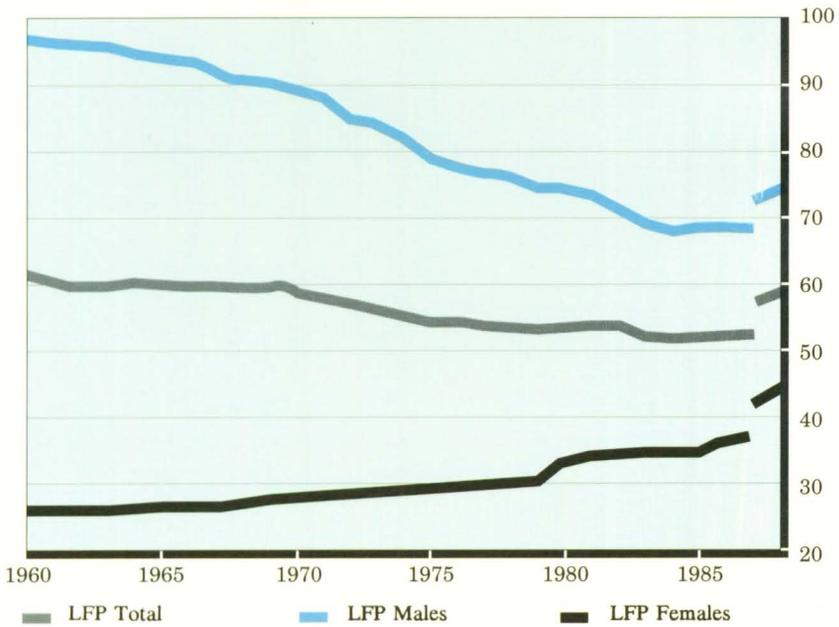
Source: OECD, Historical Statistics 1960-1988; Paris 1990.

**Figure 2.3 Net participation rate in persons, 1960-1988**



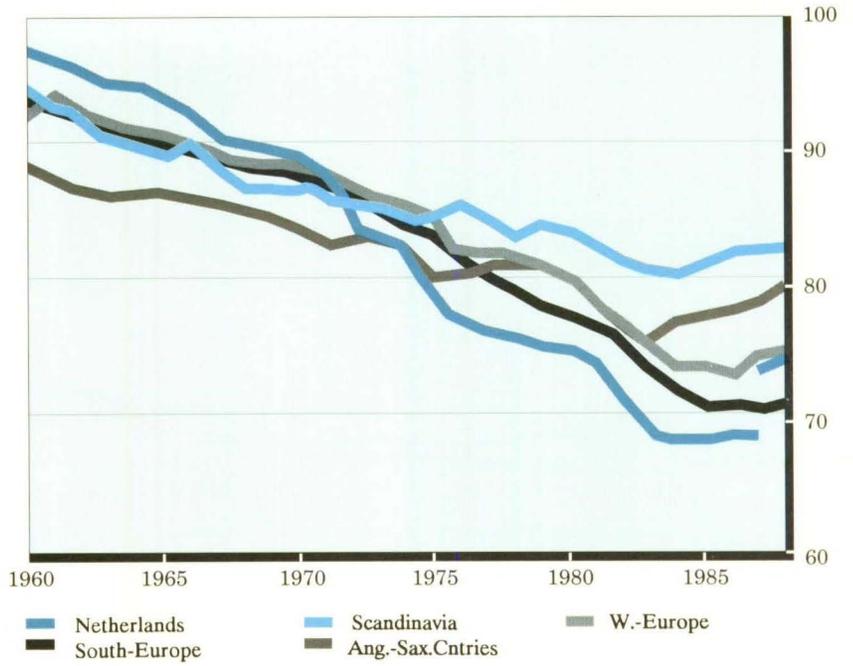
Source: OECD, Historical Statistics 1960-1988; Paris, 1990.

**Figure 2.4 Net participation rate in the Netherlands by sex, 1960-1988**



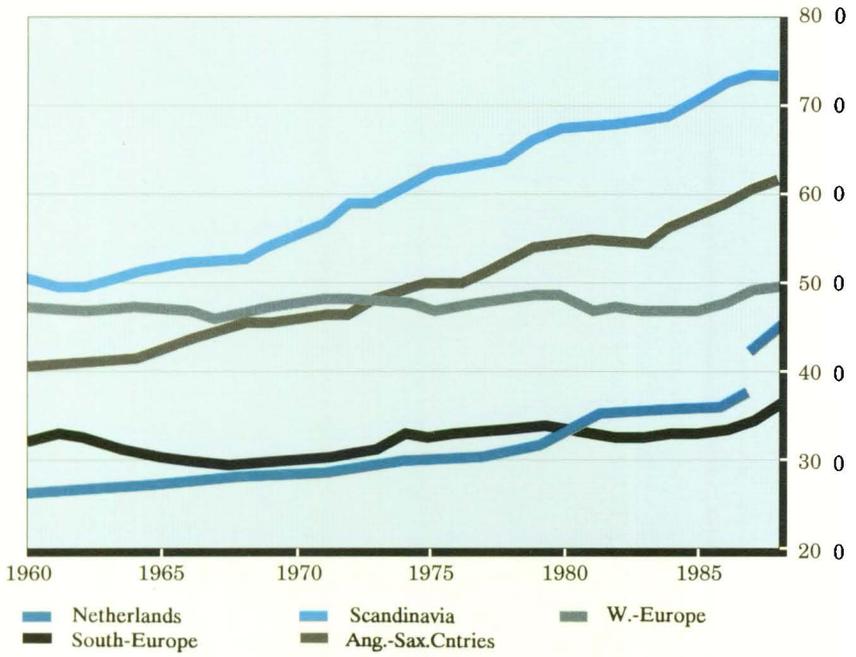
Source: OECD, Historical Statistics 1960-1988; Paris, 1990.

**Figure 2.5** Net participation rate in persons, males, 1960-1988



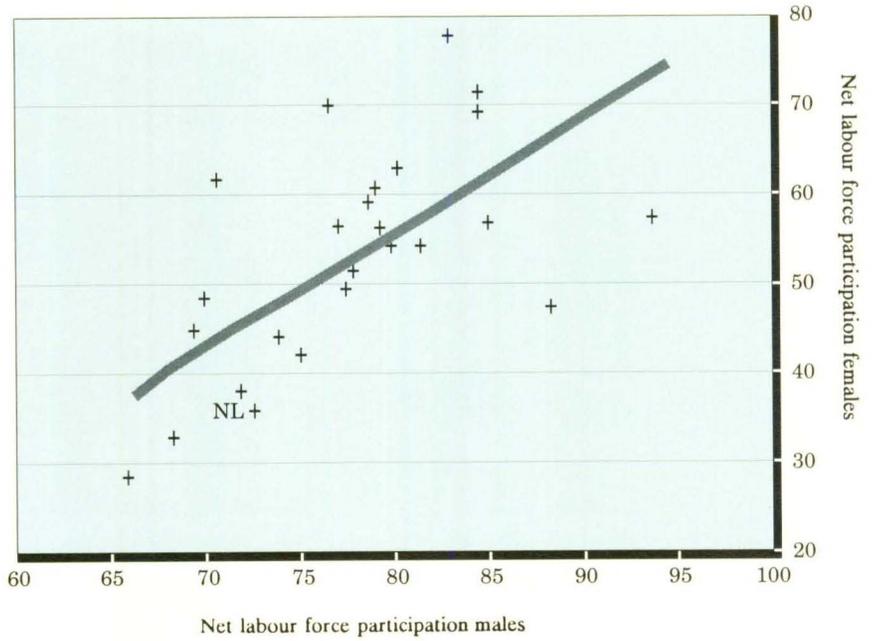
Source: OECD, Historical Statistics 1960-1988; Paris, 1990.

**Figure 2.6 Net participation rate in persons, females, 1960-1988**



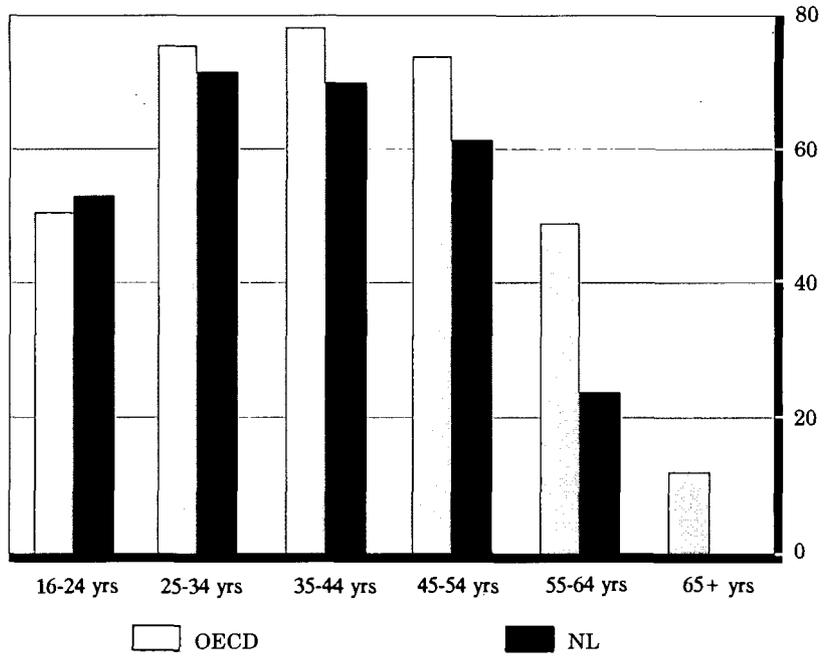
Source: OECD, Historical Statistics 1960-1988; Paris, 1990.

**Figure 2.7 Relationship between net participation rates in persons of males and females, 1988**



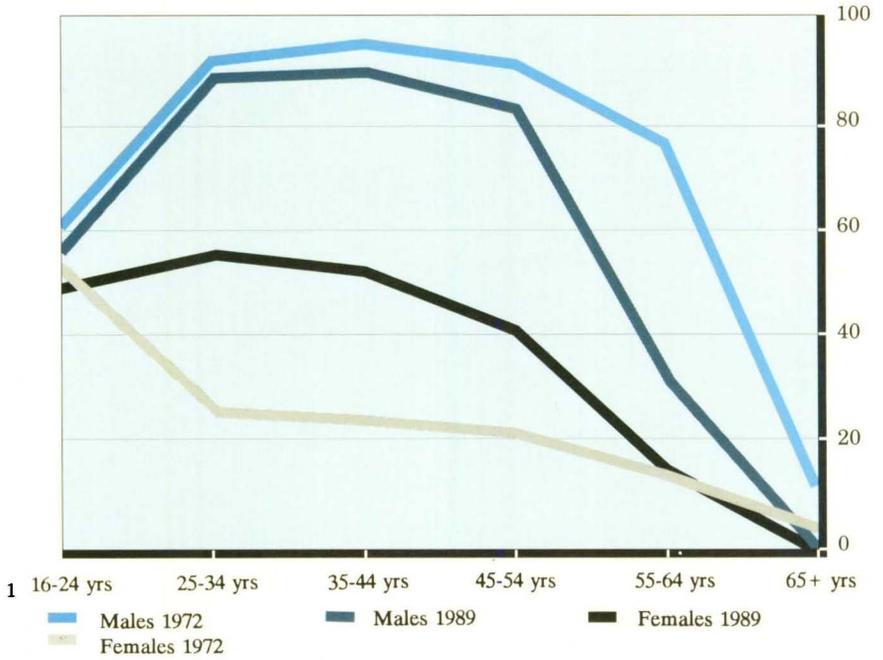
Source: WRR calculations based on OECD, Historical Statistics 1960-1988; Paris, 1990.

**Figure 2.8 Net labour force participation, in persons, by age, 1989**



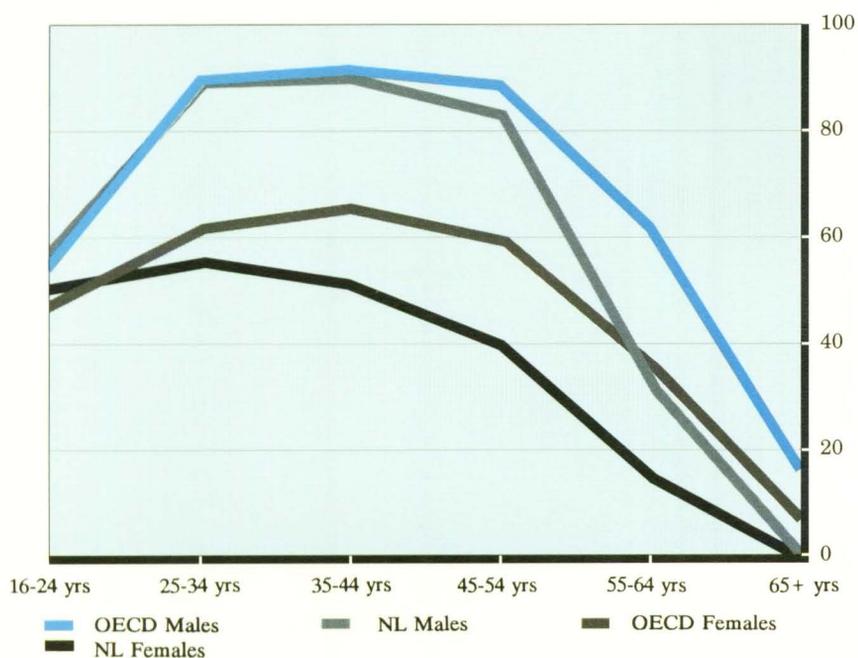
Source: OECD, Labour Force Statistics 1968-1988; Paris 1990.

**Figure 2.9 Net labour force participation rate, in persons, in Netherlands, for men and women, 1972 and 1989**



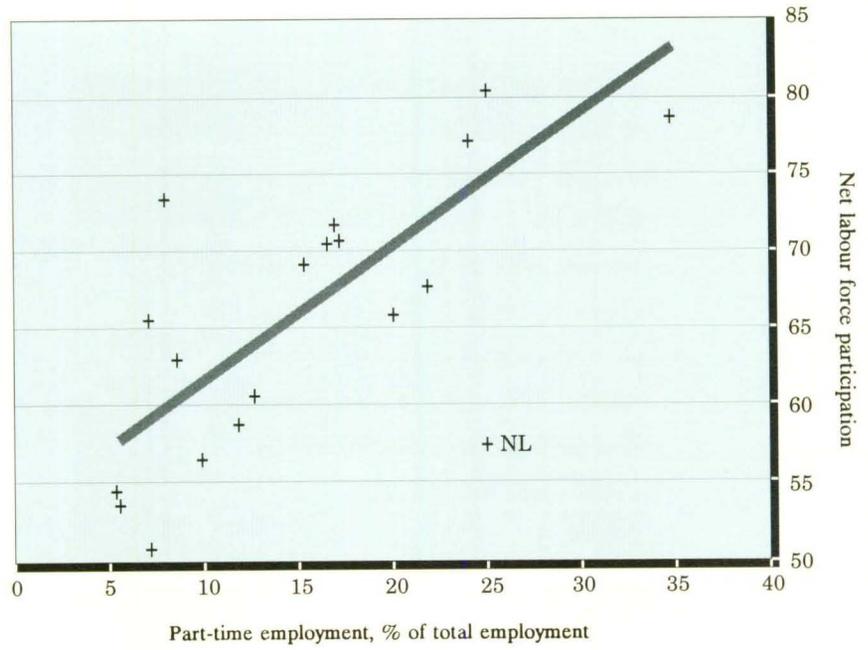
Source: OECD, Labour Force Statistics 1968-1988; Paris, 1990.

**Figure 2.10 Net labour force participation rate, in persons, by age, for the Netherlands and the OECD, 1989**



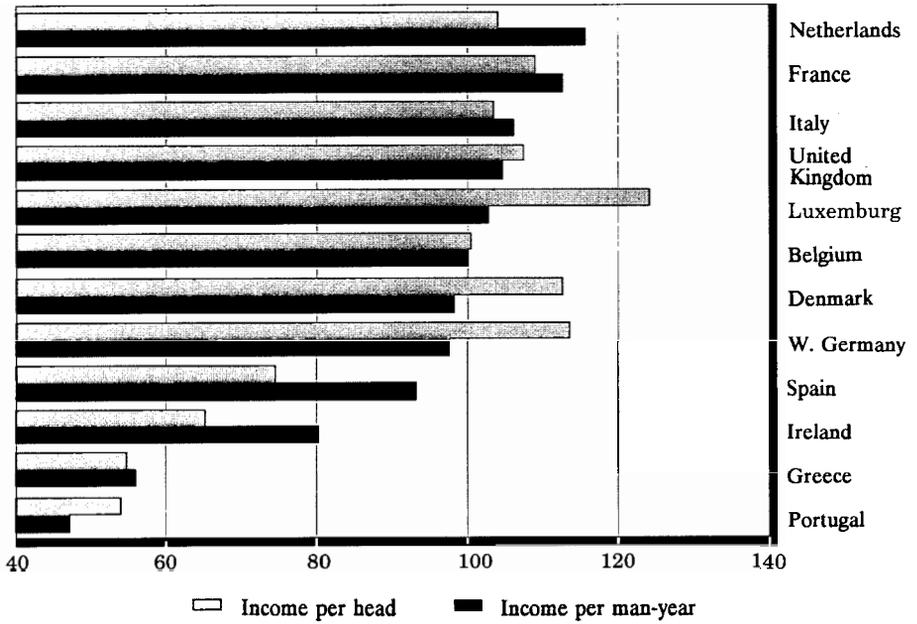
Source: OECD, Labour Force Statistics 1968-1988; Paris, 1990.

**Figure 2.11 Net labour force participation rate, in persons, and extent of part-time employment, for 19 OECD countries, 1987**



Source: See Table 2.4

**Figure 2.12** Gross national income per head and per man-year in the member states of the European Community, 1987 (EC = 100)



Source: EUROSTAT, Labour Force Survey; Luxembourg, 1989, and OECD, National Accounts 1968-1988; Paris, 1990.

## 3.1 Introduction

In comparison with other industrialized countries, the level of labour force participation in the Netherlands, measured in man-years, is low for both men and women. While the female participation rate has been rising in recent years, the male participation rate has fallen. This chapter examines likely developments in the 1990s. Is the decline in participation among men likely to continue and will the female participation continue to rise? How will the supply of labour develop in net terms? Which factors will play a role in this respect, and what impact will institutional factors exert? Is a higher labour force participation desirable in economic and social terms? And is it possible to influence these processes through political action?

The supply of labour is determined by demographic trends and the rate of labour force participation. Among other things, the latter depends on age, education and sex and is influenced by economic, social and cultural factors. The demographic trends of relevance for the future supply of labour are discussed in section 3.2.1. Section 3.2.2 examines possible developments in the supply of labour in the 1990s. A survey of possible developments on the demand side of the labour market is provided in section 3.2.3, while section 3.3 examines the social and cultural influences on labour force participation. Finally, section 3.4 sets out the case for political action to increase the level of labour force participation on demographic, economic, social and international political grounds.

## 3.2 Future trends in labour force participation

### 3.2.1 Demographic trends

In so far as the supply of labour is determined by demographic factors, the prime consideration is the size of the group deemed capable of participating in the labour market. In the Dutch context this consists of the 15-65 age group, i.e. the ages spanned by the minimum school leaving age and the state pension age. A small number of persons aged over 65 are also in paid employment.

As may be seen from the left half of Figure 3.1, the demographic trend in the Netherlands after the Second World War has particularly led to changes among the younger age groups. (The figures are placed at the end of this chapter.) Up to the early 1960s the share of 0-19 year-olds rose to 38% of the total, thereafter falling steadily to 26% in 1989. At the same time the proportion of 20-44 year-olds rose from 33% to 41%. The share of 45-64 year-olds remained notably constant, and the share of the over 65s rose steadily throughout the period.

Future demographic trends are set out in the projections of the Central Bureau of Statistics (CBS). The most recent forecast relates to the period 1988-2050. The figures in Figure 3.1 derive from the middle variant of the CBS projections.

Significant shifts in the trend occur during the 1990s, the effects of which last well beyond 2000. The fall in the number of 0-19 year-olds virtually comes to a halt. The rise in the numbers of 20-44 year-olds is reversed, while there is a significant increase in the share of 45-64 year-olds. The share of the over 65s rises unabated.

Within the group of 20-64 year-olds the proportion of older people (i.e. those aged 45-54) rises significantly, from 34% in 1990 to 46% in 2010. This has important consequences for the supply of labour since the participation is generally higher in the middle groups than among young people and the elderly; young people are often still in education, while older people have an increasing risk of sickness and employment disability. In other words, if the size of the total group aged 15-64 remains constant while the average age increases, this will have a negative effect on the total supply of labour.

Calculations on the basis of the CBS Population Forecast indicate that, given the average participation rates per age group in 1987-1989, the gross participation in persons among males up to 1998 will continue to rise slightly, after which a small decline will set in. Among females the peak is reached almost straight away, after which there is a slight decline from 1992 onwards. This means that, given constant participation rates per age group, demographic factors will cause a slight decline in labour force participation from the mid-1990s. If efforts are to be made to increase the present - low - level of labour force participation, this will necessarily mean an increase in the participation rates of virtually all age groups.

### 3.2.2

#### **The supply of labour in the 1990s**

How will labour force participation develop in the near future? In this respect it is instructive to compare a recent Central Planning Office (CPB) labour supply analysis with a survey of our own <sup>1</sup>.

The labour supply projections in the CPB study by Manders are based on estimates of the potential labour force aged 15-64 (excluding non-working schoolchildren and students) and the anticipated participation rate per age group, differentiated by sex and level and type of education.

Figure 3.2 indicates that according to Manders' estimate, the gross labour force participation among both males and females barely changes after 1990 <sup>2</sup>. If this prediction should be borne out, the gross participation rate would increase from 59 per cent in 1985 to nearly 63 per cent in the year 2000. Even then the Netherlands would have a low participation rate compared with many other countries: in the United States the figure for 1988 was 78 per cent, in the United Kingdom 77 per cent and in the Scandinavian countries 80 per cent.

<sup>1</sup>] Central Planning Office (CPB), Raming arbeidsaanbod 1985-2000; (Labour supply projections 1985-2000), compiled by A. Manders, memorandum no. 35, The Hague 1989.

<sup>2</sup>] The participation figures for the period 1971-1988 are derived from the OECD, Labour Force Statistics, 1989, Paris, while the forecast presented here for the period 1985-2000 has been calculated on the basis of figures in CPO, 1989, op. cit.

In absolute terms this means that the supply of labour would increase by 800,000 during the period 1985-2000, an increase of 13.6 per cent. The bulk of the rise takes place in the first five years, after which it tapers off.

Could the labour force participation rise more rapidly than envisaged by Manders' study and, if so, within what limits? With this in mind the Council has made its own projection by way of contrast. This is referred to below as the 'WRR survey', while Manders' forecast has been labelled the 'basic projection'.

The development of the labour force participation in persons, in the Netherlands is characterized by a fall among males, especially in the 55-65 age group, and a sharp rise among females. The WRR survey is based on three assumptions. The first is that the participation rate among males up to the age of 55 will no longer change, being as it is at much the same level as that in neighbouring countries. The same does not apply to those aged 55-65, among whom the participation rate is comparatively low. There are, however, policy means to influence this figure. The second assumption is, accordingly, that the gross participation rate of the 55-65 age group will have reverted to 1982 levels in the year 2000. The third assumption envisages a 1.5 per cent annual increase in the gross participation rate among females. Examples of a sharp rise of this order have occurred in the Netherlands in recent decades, and also in the Scandinavian countries and the United States. On the basis of these assumptions and taking into account likely demographic trends, the total gross labour participation up to the year 2000 has then been calculated.

On the basis of a linear increase in the gross participation between 1990 and 2000, Figures 3.3, 3.4 and 3.5 indicate the development of labour force participation among males, females and males and females combined. The figures show both the WRR survey and the results of Manders' study, together with the labour force participation rates in 1988 on the Continent (i.e. the Federal Republic of Germany and France), Scandinavia (Finland, Norway and Sweden), North America (Canada and the United States) and the OECD average.

Figure 3.3 reveals that according to the WRR survey, the male participation rate in 2000 could exceed the current level on the Continent.

The current OECD average and the North American and Scandinavian rates are considerably higher again. In order to achieve the OECD average a further increase in the supply of labour of 178,000 males would be required, while to attain the Scandinavian and North American levels increases of 356,000 and 400,000 respectively would be required<sup>3</sup>.

<sup>3</sup>]

Expressed in absolute terms, employment in 2000 would need to be around 4.5 million persons to reach the OECD average, 4.7 million to reach the Scandinavian rate and over 4.7 million to equal the US rate.

On the basis of the WRR survey the female labour force would increase by 473,000 in relation to 1990, or 298,000 more females than may be anticipated in 2000 on the basis of Manders' study <sup>4</sup>.

Despite this sharp growth, the participation rate among females in 2000 still remains just below the current Continental level. The present participation rates of females in North America and Scandinavia are considerably higher again. Expressed in persons, an additional increase in the supply of labour of 195,000 females would be required in relation to the WRR survey in order to attain the OECD level.

In order to achieve the North American level an extra 800,000 women would have to perform paid work, and as many as 1,200,000 to attain a Scandinavian level (Figure 3.4) <sup>5</sup>.

Finally Figure 3.5 provides an indication of possible trends in the participation rates of males and females combined. On the basis of the WRR survey, the labour force participation rate in the year 2000 remains just under the Continental level and considerably below the OECD average. Manders' figures are lower than those in the WRR survey and considerably below the participation rates in North America and Scandinavia.

The WRR survey would require a growth in the labour force of 755,000, or 411,000 more than in Manders' study <sup>6</sup>. Over the past five years employment in the Netherlands (in persons) has grown at an average annual rate of 1.4 per cent, in line with the WRR survey. This was, however, a time of exceptionally buoyant economic activity and it is open to question whether the necessary growth in employment can also be achieved in economically less favourable times. In this respect a policy to encourage labour force participation certainly provides an alternative and might even provide a means of approaching the average participation rate in the OECD.

### 3.2.3 Employment projections

The Central Planning Office's Macro-Economic Survey 1990 indicates a continuing shift towards the service sectors in the period 1991-1994. Whereas a drop of employment in man-years is predicted of 0.75 per cent

<sup>4</sup>] Expressed in absolute terms, female employment in 1990 came to 2.3 million persons. Manders projects a figure of 2.5 million for 2000 and the WRR survey a figure of 2.8 million.

<sup>5</sup>] Expressed in absolute terms, female employment would need to be around 3 million in 2000 to achieve the OECD level, 3.6 million to reach the North American level and 4.1 million to achieve a Scandinavian level.

<sup>6</sup>] Expressed in absolute terms the supply of labour in 1990 was 6.4 million. For the year 2000 Manders' study predicts a figure of 6.7 million, while the WRR survey arrives at a figure of 7.1 million. In order to match the OECD participation rate in the year 2000 the supply of labour would need to rise to 7.5 million, while to obtain North American and Scandinavian levels it would need to rise to 8.3 million and 8.8 million persons respectively. Expressed in annual growth rates the WRR survey amounts to 1.1 per cent. In order to achieve the OECD level the figure would need to rise to 1.7 per cent and to 2.7 per cent and 3.3 per cent respectively in order to attain North American and Scandinavian levels.

in agriculture, 0.5 per cent in the energy sectors and 0.5 per cent in construction, with zero growth in manufacturing, the CPB foresees a 1.75 per cent sharp growth in the services and 0.75 per cent growth in the non-profit service sector. The overall growth in employment is put at 0.75 per cent.

In the services some 45 per cent of jobs are occupied by women. In agriculture and manufacturing the figure is less than 20 per cent. In the latter two sectors 15 per cent of the workforce are in part-time jobs, while in services the figure is 36 per cent. On the basis of the present ratios, the predicted sectoral shifts in the period 1991-1994 will lead to a rise in the share of women in total employment and to a further increase in part-time employment.

The above projections are of course subject to provisos. Among other things these relate to the consequences of European economic integration and the developments in Eastern Europe, as well as to the state of the economy. Other factors of relevance for the future development of employment include wage costs, technological change and the level of taxation and social security charges <sup>7</sup>. Labour cost trends remain fairly moderate in relation to other countries. The future course of wage trends is dependent on such factors as developments in demand and supply, possible skill shortages and the results of tripartite consultations and bipartite negotiations. Wage restraint is highly important for the further growth of employment. Among other things labour productivity depends on corporate investment and technological innovation. Continuing technological progress in all sectors of the economy is a major factor in economic growth and the level of employment.

The ratio of taxation and social insurance charges to national income in the Netherlands is high by international standards. A reduction in this burden would provide a significant stimulus for the private sector. In the short term, however, the size of the budget deficit and the national debt leave little room for a reduction in the burden of taxation and social security charges. Both factors militate against the further development of the Dutch economy.

On account of the increase in the number of taxpayers and national insurance contributors, a rise in labour force participation would increase the government's scope for policy. In this respect, however, the government is in a number of ways its own prisoner. There are a number of areas in which private industry could take the initiative. Examples include the provision of participation opportunities for the unemployed, women reentering the labour market and partially disabled persons within the frame of an active labour market policy. In other fields, a policy to promote

<sup>7</sup>]

In the longer term the main factors are the quality of the labour force (in terms of education and experience), the available technological know-how and infrastructure, the economic structure and the extent to which these elements can adapt to changing circumstances. See in this respect M. Porter, The Competitive Advantage of Nations; New York, Free Press, 1990.

participation would not require any funding but changes in the institutional regulations.

The objective of higher labour force participation presupposes the potential for a further growth in employment. On the assumption of zero growth in employment in manufacturing and a continuing reduction in employment in agriculture and fisheries, this will have to be primarily achieved in the services sector. These assumptions are consistent with the CPB projections for the period 1991-1994.

The employment perspectives in the services sector have been investigated on behalf of the Council by Elfring, Van der Aa and Kloosterman<sup>8</sup>. The authors compared the development of employment in 22 service industries in four countries - the Netherlands, the Federal Republic of Germany, Sweden and the United States<sup>9</sup>. Two of these countries (Sweden and the United States) have high participation rates and two (the Netherlands and the former F.R. Germany) low rates. The study suggested substantial potential for a growth in employment in six industries. These conclusions were confirmed in discussions with key figures in these industries.

Table 3.1 provides an impression of the share of these six industries in total employment and of the number of employed persons in these industries per head of population; the latter figure provides an indication for the degree of service: the higher the value, the more people there are employed in a particular sector.

Table 3.1 reveals that the level of employment in the six industries in the Netherlands and West Germany lags well behind that in Sweden and the United States, where between five and eight more people work in these industries per 100 inhabitants. In the United States the high level of employment in retailing, business services and the hotel and restaurant trade is particularly striking. In Sweden employment in health care is over twice as high as in the Netherlands and West Germany. In the case of the Netherlands, the low share of employment in the hotel and restaurant trade is notable. The scale of employment in health care is also well down on that in Sweden and the United States. The figures do not take account the comparatively high level of part-time employment in the Netherlands; if this were done the differences would probably be even more pronounced. Finally Table 3.1 reveals that the degree of 'service' through employment in the formal sector in the two countries with a high labour force participation rate is, with one exception, much higher than that in the Netherlands and West Germany in all the industries shown.

<sup>8</sup>] See T. Elfring, W. van der Aa en R. Kloosterman, Perspectieven voor werkgelegenheid in de dienstensector; een internationaal vergelijkende analyse; (Perspectives for employment in the services sector; a cross-national analysis); WRR, Working Documents W56, The Hague, 1991.

<sup>9</sup>] The research is an extension of T. Elfring, Service Sector Employment in Advanced Economies; A Comparative Analysis of its Implications for Economic Growth; Aldershot, Gower, 1990.

**Table 3.1 Employment, in persons, in service industries with good prospects in four countries\*, in order of employment share, 1987**

	(1)				(2)			
	Share in total employment				Employment as % of total population			
	NL	FRG	SWE	US	NL	FRG	SWE	US
Retail trade	8,9	8,8	7,4	11,6	3,3	3,7	3,8	5,4
Health care	7,3	5,4	11,2	7,5	2,7	2,3	5,8	3,5
Education	6,5	4,1	7,3	7,6	2,4	1,7	3,8	3,6
Business services	6,4	3,6	4,1	7,5	2,3	1,5	2,1	3,5
Hotel & rest. trade	2,4	3,8	2,1	7,0	0,9	1,6	1,1	3,3
Financial services	2,3	2,4	1,7	2,6	0,8	1,0	0,9	1,2
Total	33,8	28,1	33,8	43,8	12,3	11,9	17,5	20,5

\* ) NL = Netherlands, FRG = Federal Republic of Germany, SWE = Sweden and US = United States

Source: Elfring, Van der Aa en Kloosterman, Perspectieven voor werkgelegenheid in de dienstensector; een internationaal vergelijkende analyse; (Perspectives for employment in the service sector, a cross-national analysis); WRR, Working Documents W56, The Hague, 1991.

Not just the level of but also the growth in employment is relevant. Table 3.2 provides an impression of employment trends between 1973 and 1987. The United States had easily the highest growth figures. This applies especially to business services, the hotel and restaurant trade and retailing. Financial services also emerge well. The latter industry also stands out in the case of the Netherlands, especially in the first period. In addition there has been a reasonable growth of employment in business services and health care, in contrast to the hotel and restaurant trade and retailing.

As far as the *retail trade* is concerned, Elfring et al. note that retailing is on a comparatively small scale in the Netherlands, while the application of information technology has by no means reached its limit, so that further jobs could be lost in the future. On the other hand, higher labour force participation could lead to greater emphasis on quality and service as well as to longer opening hours, thereby creating new jobs. The net effect of these developments is difficult to assess, but the low degree of 'service' of the Dutch retail trade justifies growth expectations.

Outlays for *health care* are closely correlated with the level of income per head of the population, with an income elasticity greater than one.

**Table 3.2 Service industries with good prospects, in order of growth in employment, 1973-1987**

	Netherlands		Germany		Sweden		United States	
	73-79	79-87	73-79	79-87	73-79	79-87	73-79	79-87
Business services	4,4	3,9	3,2	5,5	3,1	4,6	6,0	7,3
Health care	2,3	3,2	4,1	2,8	5,7	2,3	4,6	3,2
Financial services	6,2	0,8	1,3	2,5	1,4	4,6	4,0	4,2
Hotel & restaurant trade	1,2	2,7	0,5	4,4	0,8	3,6	5,7	3,4
Education	3,8	1,3	4,0	1,8	3,8	0,5	2,3	1,3
Retailing	0,8	1,1	-0,1	0,5	-0,4	-0,3	1,8	2,3
Total	2,8	2,2	1,9	2,4	3,1	1,8	3,8	3,4

Source: Elfring, Van der Aa en Kloosterman, op. cit., p. 6.

On the basis of the likely growth in incomes in the 1990s a further increase in health care expenditure may be anticipated. The ageing of the population is a second growth-promoting factor for health care. With respect to employment there is a clear difference between Sweden and the other three countries. In Sweden greater emphasis has been placed on creating jobs in the public sector, including health care. Moreover, the income differentials within the health care system in Sweden are smaller than elsewhere. Both factors have contributed to the fact that the growth in employment in Sweden has exceeded the growth in expenditure, whereas the reverse applied to the three other countries.

Employment in *education* depends heavily on demographic factors and an increasing demand for adult education. As opposed to the reduction in employment in the publicly financed education system, which is mainly directed at young people, there is an increase in employment in the privately funded adult education sector. Whether and to what extent the latter can compensate for the former remains unclear at this stage.

The opportunities for an expansion in *business services* in the Netherlands are highly favourable. The Netherlands continue to make headway as a competitive distribution country. Deregulation, increasing international competition and economic growth form significant factors for such optimism. In this respect the Netherlands is following trends in the United States. As in the United States, the continuing dissemination of information technology and the growing importance of the small and medium-sized companies as a business market will be stimulating in the Netherlands.

Given the low share of employment in the *hotel and restaurant trade* further growth of employment in this industry would certainly seem feasible. The combination of an anticipated rise in the demand for catering services and the limited scope for increasing labour productivity create a favourable prospect for employment. This is reinforced by the fact that the lack of any rigid wage parity between manufacturing and the hotel and restaurant trade

permits a growth in the less productive parts of the industry. Finally, an increase in labour force participation - especially among two-income households - could create significant growth opportunities in this sector. An indication to this effect is provided by the fact that between 1980 and 1987 there was a sharp rise in both the number of single householders and two-income households and the level of expenditure by such households in the catering sector. Elfring et al. show that in 1987 expenditure totalling 2.6 billion guilders - over a quarter of the industry's total turnover - may be attributed to these two factors.

The outlook for employment in *financial services* is uncertain. On the one hand there are positive developments such as new forms of services and European integration, which have far-reaching consequences for this sector, while on the other there is the rapid application of information technology and the trend towards mergers between banks and other financial institutions, which is expected to lead to a reduction in the number of branches. For the present, the most favourable prospect would appear a stabilization of the present level of employment in this sector.

Elfring et al. conclude that the employment prospects for the six industries may be regarded as reasonable to good. In particular, this is based on the expectation that quality will become an increasingly important consideration in the provision of services. Improvements in quality, in the form of reduced waiting periods, higher standards of service and more personal advice and service outside normal office hours will in general require more staff. It is thought likely that customers will be prepared to pay the necessary price. On the other hand it is unclear to what extent productivity improvements, such as those stemming from the application of information technology, will adversely affect employment.

Employment in the labour-intensive *non-profit sector*, of which both health care and education form part, will be influenced in the coming years by the government's financial room for manoeuvre. Among other things the latter will be determined by developments in labour force participation. In addition the requirement for non-profit services will rise in the coming years as a result of the ageing of the population. What might be termed as secular factors also come into play, in the sense of long-term developments such as the rising participation in education, technological developments in the care sectors, rising crime and more leisure and mobility. The Social and Cultural Planning Office (SCP) has calculated the scale of both the demographic and the secular effect for the 1990s. Table 3.3 shows the anticipated average annual growth rates for the volume of final services in the non-profit sector, subclassified according to funding.

A rising labour force participation among women also has specific consequences for the non-profit sector as it will decrease the supply of informal (i.e. voluntary or household) care. A good example consists of informal home care, especially for older people. A higher female participation in labour will therefore lead to a growing requirement for professional home care or to greater pressure on residential (and again professional) facilities.

**Table 3.3 Demographic and secular developments in the use of final services in the non-profit sector**

	demographic effect		secular effect	total effect
	1989-1993	1993-2000	1989-2000	1989-2000
Volume of final services	0,4	0,6	0,4	0,9
of which financed by :				
government	-0,1	0,4	0,6	0,8
social funds	1,0	0,7	0,2	1,0

\* Facilities classified according to leading source of finance

Source: WRR, on basis of: Social and Cultural Planning Office, Memorandum kwartaire sector 1989-1993 (Memorandum on the non-profit sector 1989-1993); Memorandum no. 71, Rijswijk, 1989, p. 31.

A growing labour force participation will also lead to a rise in the demand for paid child-care. The proposed additional expenditure on child care in the coming years could create over 8,500 man-years of employment. The figure could be higher again if the measures in this area were to be intensified as proposed in Chapter 5.

To sum up, how is employment likely to develop in the 1990s? Table 3.4 outlines an employment projection up to the year 2000 based on the employment situation in 1989 and anticipated growth figures between 1989 and 2000<sup>10</sup>. Tertiary services are seen as having particularly good prospects. The growth figures are partly based on the aforementioned medium-term CPB forecast for the period 1991-1994, the SCP's projection for the non-profit sector and the more qualitative observations by Elfring, Van der Aa and Kloosterman.

Employment in agriculture, manufacturing and construction is expected at best to remain constant. An increase appears possible only in the sphere of services. In the case of employment in persons the share of services rises from 72 per cent to 76 per cent and that in man-years from 67 per cent to 70 per cent. In an absolute sense the employment in persons rises from 6.2 to 7.0 million, an increase of around 800,000. In these circumstances the employment in man-years rises from 4.9 to 5.3 million, an increase of approximately 400,000.

<sup>10]</sup>

In order to convert employment in man-years into that in persons, estimates have been made for the sectoral P/M ratios. In the case of agriculture, manufacturing, energy and construction a figure of 1.05 has been assumed, for tertiary services and government a figure of 1.3 and for non-profit services 1.6. The weighted average amounts to 1.27, which corresponds with the actual value.

**Table 3.4 Forecast employment in the year 2000.**

	ind. category	Employment 1989		Assumed growth		Employment 2000	
		man-year (1)	pers. (2)	man-year (3)	pers. (4)	man-year (5)	pers. (6)
Agriculture	0	267	280	-0,75	-0,75	246	258
Manufacturing	2/3	936	983	0,0	0,0	936	983
Energy/construction	1, 4 en 5	418	439	-0,5	-0,5	396	416
Tertiary services	6, 7 en 8	1750	2275	1,5	2,0	2061	2829
Non-profit services	9	788	1261	1,0	1,6	879	1502
Government		<u>740</u>	<u>962</u>	<u>0,0</u>	<u>0,4</u>	<u>740</u>	<u>1014</u>
Total		4899	6200	0,7	1,1	5258	7002

Source: (1) Central Bureau of Statistics, Nationale Rekeningen 1989 (National Accounts 1989); Voorburg, 1990, p.98.

(2) Calculated with the aid of the P/M ratios as discussed in footnote 22.

(3) Based in part on Macro Economische Verkenning 1990, op cit., p. 173.

(4) Based in part on Macro Economische Verkenning 1990, op cit., p. 177.

(3) and (4): Average growth figures on an annual basis

(5) Calculated from (1) and (3)

(6) Calculated from (2) and (4)

The growth in employment by 800,000 persons corresponds closely with the WRR survey of labour force trends outlined earlier in this chapter, which arrived at a figure of 750,000 persons.

The future development of employment depends to a significant extent on the size and quality of the labour force. Up to a certain point the supply of labour creates its own demand. A growing labour force can independently swell the level of employment, this effect being stronger the more that the qualifications of the labour force match the possibilities in the labour market at a particular point. Conversely, an increase in the demand for labour leads to an increase in the supply of labour. These relationships are highly important in terms of the effects of the policy recommendations outlined in Chapters 4 and 5. At this stage it is sufficient to note that an increase in labour force participation, as set out in the previous section, can certainly be regarded as realistic in the light of the possibilities on the demand side of the economy.

### 3.3 Social and cultural factors

#### 3.3.1 Introduction

Vacancies may be occupied by school-leavers, workers changing job, the hidden unemployed (i.e. women reentering the labour market, or certain disability benefit claimants) and the unemployed. In so far as the net number of jobs falling vacant in a particular period is occupied by the unemployed, there is no direct effect on the size of the labour force and the

gross participation rate. In so far as such jobs are occupied by workers changing job, other jobs are released, thus creating opportunities for the other groups. In so far as the hidden unemployed make use of these opportunities, the supply of labour and the gross participation rate will rise.

With respect to the future development of the net participation rate - the key variable for the purposes of this report - the entry into the labour system of school-leavers and those in 'official' and 'hidden' unemployment results in an increase in the net participation rate. Conversely those leaving the labour system on reaching retirement age or on account of unemployment or disability depress that indicator. Changes in the net participation rate therefore reflect the balance of entry into and departure from the labour force. Among other things that balance depends on the qualifications of the labour force. In addition the net participation rate depends on socio-cultural factors, such as the educational preferences of parents and students, the process of individualization, the aspirations of women and the elderly in relation to paid employment and more generally attitudes towards paid employment.

### 3.3.2 Unemployment

The labour force comprises both the employed and the registered unemployed. Following the discovery of sizeable distortions in the databases on registered unemployment maintained by the employment exchanges (GABs), a number of alternative measures of unemployment have been used since 1987.

On the basis of the Labour Force Survey (EBB) conducted by the Central Bureau of Statistics, an unemployment figure has been constructed known as registered unemployment (GWL), which has been treated as the official unemployment figure since 1 January 1989. This figure covers all individuals registered with an employment exchange who indicated in the EBB that they satisfied the unemployment criteria. In the case of both the registered unemployment figures and the job-seekers without work (BZB) statistics, the unemployed are defined as persons not in paid employment and who would be immediately available for a job of 20 hours a week or more. 'Immediately available' means that people must be able to accept a paid job within a fortnight and that in this sense people have provided evidence of their willingness to accept work by registering as unemployed with an employment exchange. In addition the job in question must be for at least 20 hours a week. The official registered unemployment figure provides a more reliable impression of unemployment than the job-seekers without work figure as it solves the problem of database irregularities. On account of these irregularities the publication of the job-seekers without work figures will probably be discontinued. Like the job-seekers without work figure, however, the official unemployment figure is selective since it does not include those actively looking for work but who have not registered with an employment exchange and because a job of at least 20 hours a week must be sought.

These limitations do not apply to the Central Planning Office's unemployment figure (WZB), which relates to unemployed job-seekers. The unemployed are defined as those not in paid employment who would be available for a job within two weeks and who had sought employment in the past four weeks. Registration with an employment exchange is an indication of active job-seeking but other activities can also provide such an indication. The WZB figure is not subject to the limitation that people must be seeking a job of at least 20 hours a week; providing they satisfy the remaining criteria, those seeking minor part-time jobs are also classed as unemployed. In 1988, nearly 20 per cent of the 610,000 unemployed (WZB-) job-seekers were looking for jobs of less than 20 hours a week.

In its 1987 report 'An Active Labour Market Policy', the Council contended that it was not possible to quantify the phenomenon of unemployment with a single generally valid and absolute figure. Apart from the official unemployment statistic two other indicators of unemployment were regarded as useful: first of all the number of unemployment benefit persons, i.e. part-time workers looking for a full-time job (or a larger part-time job).

Figures on unemployment benefits are derived from industrial insurance boards and the municipal social services departments. The number of unemployment beneficiaries exceeds the official level of unemployment. The difference derives from the fact that a proportion of the recipients of an unemployment benefit are in (part-time) employment, are not available for the labour market, are looking for a job of less than 20 hours a week or are not registered with an employment exchange. To a large extent the latter group consists of unemployed persons aged over 57.5 years, who are exempted from the requirement to register with an employment exchange in order to draw unemployment benefit.

A wider concept is that of the 'inactive labour force'. Data on this aspect are based on the EBB and are available from 1987 onwards. The inactive labour force consists of (a) all persons without work actively looking for paid employment and directly available for work, (b) inactive persons drawing unemployment benefit who are not actively looking for work, (c) persons without a job who have accepted a job but not yet commenced work.

Data on the number of partially unemployed may also be derived from the EBB. In 1989 there were approximately 380,000 people working under 34 hours a week who wished to work longer hours. Of all those in employment some 560,000 people wished to work longer hours. Against this, approximately 600,000 people wished to work a shorter working week <sup>11</sup>.

<sup>11</sup>]

CBS, Enquête beroepsbevolking 1989 (Labour Force Survey 1989); Voorburg/Heerlen 1990, p. 38.

**Table 3.5 Unemployment figures**

	1986	1987	1988	1989	1990	1991
	x 1,000 persons					
BZB (Ministry of Social Affairs and Employment)	711	685	682	658	630*	
GWL (Central Bureau of Statistics)	-	450	433	390	350*	340*
WZB (Central Planning Office)	635	622	610	560	510*	495*
Unemployment benefits			625	604	580*	565*
Inactive labour force (Central Bureau of Statistics)	-	728	724	678		

BZB: registered job-seekers without work

GWL: registered unemployed persons

WZB: unemployed job-seekers

\* Estimate

Source: CBS, CPB, Ministry of Social Affairs and Employments

From Table 3.5 it may be seen that a gradual reduction in unemployment took place during the second half of the 1980s. Nevertheless, the level of unemployment remains exceptionally high: in 1989 9.2 per cent of the labour force was unemployed (WZB figure) and 9.9 per cent was in receipt of unemployment benefit (according to the records of the benefit-paying agencies).

A high proportion of the unemployed is long-term unemployed. Table 3.6 shows the breakdown of unemployment by length of registration.

**Table 3.6 Unemployment by length of registration, 1989**

	GWL	BZB
	x 1,000	
< 1 year	173 (44%)	311 (49%)
1-2 years	70 (18%)	106 (17%)
2-3 years	42 (11%)	60 (10%)
> 3 years	105 (27%)	153 (24%)
<b>totaal</b>	<b>390 (100%)</b>	<b>630 (100%)</b>

Source: CBS, Sociaal-Economische Maandstatistiek; 1990.

Table 3.6 reveals that a little under half the unemployed had been unemployed for less than a year. Depending on the unemployment figure used, between 215,000 and 320,000 people have been unemployed for more than one year. Approximately a quarter of all unemployed persons have been unemployed for over three years - a total, depending on the unemployment figure used, of between 105,000 and 153,000 in 1989.

Surveys reveal that the long-term unemployed are not totally without prospects in the labour market. Of those unemployed for more than two years at the end of 1986, 39 per cent were once again in paid work two years later (paid work being defined as at least five hours a week for a minimum of two months). A third were once again unemployed. The average duration of unemployment of re-entrants was four years and three months. Factors such as physical or psychological problems, age, length of unemployment and non-indigenous origin reduced the chances of return to employment.

Given the future development of unemployment, labour market policy is an important factor as it enables the unemployed to rejoin the workforce by means of training and/or work-experience placements (see further Chapter 4). In due course, an effective active labour market policy can result in the convergence of the gross and net participation rates. A policy of this kind does not directly affect the gross participation rate. However specific participation opportunities, such as work-experience placements and places in job pools, can lead to a higher net participation rate in so far as these places do not displace regular employment. The same applies to placements under the Sheltered Employment Act (WSW).

### 3.3.3

#### Disability

Labour productivity per worker in the Netherlands is high by international standards. In all probability this has been one of the reasons why such a large number of workers have left the labour system over the past few decades under the disability regulations. This trend is continuing unabated. Reorganizations and company closures - especially in the second half of the 1970s and early 1980s - have also led many people to resort to the disability regulations. In addition a significant number of employees from the public sector have ended up in disability schemes. Finally, the relative attractiveness of the disability regulations over the unemployment benefit arrangements and the lack of alternatives for those involved to find different jobs in the labour market (e.g. supported by recurrent education or an active labour market policy) have also contributed to the popularity of the disability schemes. In most cases, institutional regulations prevent employees in the later stages of their careers from dropping a rung on the career ladder. According to a recent forecast, the Netherlands can expect to see disability past the one million mark in 1993 (see also Chapter 5).

It was recognised at an early stage that part of the recipients of disability benefits has the potential to perform paid employment. In the mid-1970s the unexpectedly large increase in the number of disability benefit claimants led the Social Insurance Council to commission a special study into the determinants behind such benefits (Determinantenonderzoek WAO). The

study was designed to identify which influenceable and other factors determine disability beneficiary status. To this end a number of sample surveys were conducted among various populations of individuals insured under the Disability Insurance Act (WAO). A number of interim and specialist reports were published in the 1980s; the survey was completed in 1987.

One of the results was to confirm the suspicion that many new disability benefit claimants were as much handicapped in a socio-economic as they were in a medical sense. The researchers concluded that, depending on the assumptions in question, between 29 and 49 per cent of the new disability benefit claimants in 1980 would have been capable of performing suitable work when they started to draw benefits. As time went by, as many as 53 to 71 per cent of those who began to draw benefit in 1980 would have been capable of suitable employment. The researchers noted that this was in stark contrast to the actual pattern of recovery during the period 1969-1979, on the basis of which they concluded that a substantial quantity of potential manpower was being lost under the disability benefit arrangements. These estimates do not, however, take into account the ability of the labour market to absorb (residual) labour capacity <sup>12</sup>.

The findings from the 'Determinantenonderzoek' were used by the government as grounds for revising the operation of the Disability Insurance Act (WAO) as part of the reconstruction of the social security system. As from 1 January 1987 unemployment was no longer disregarded in the disability regulations. Under the new system beneficiaries receive an unemployment benefit to the extent that they are unemployed. The eligibility of WAO claimants aged under 35 is reviewed every two years, which can lead to an adjustment in the disability percentage.

So far, the high expectations relating to the abolition of the so-called 'unemployment factor' in the disability legislation have not been borne out. In contrast to the original estimate (of 50% hidden unemployment) only 10 per cent of new WAO claimants in 1987 and 1988 could be identified as falling into this category in relation to the final year before the system was reviewed (1986). According to the Ministry of Social Affairs and Employment, there are no indications that this effect will rise after 1988. As a result, the responsible ministers have adjusted the original estimate of 50 per cent hidden unemployment to 10 per cent.

It is not possible at this stage to provide a full explanation for the marked difference between the estimate and the actual figure. One possibility is that the government overestimated what was possible in the light of the 'Determinantenonderzoek'. The estimate of 50 per cent hidden unemployment is based on figures from the survey relating to 1980, a year in which the high level of unemployment meant that people were more apt

<sup>12</sup>]

Social Insurance Council, Determinantenonderzoek WAO, Eindrapportage (Survey of Determinants of Employment Disability Benefits, Final Report); Report R 87/3, Zoetermeer, 1987, pp. 67-73 and 92-93.

to be classified as disabled (since their prospects of obtaining a job were poor) than in 1986, when employment prospects were much more favourable. It is also possible that the agencies responsible for administering the disability schemes have until now taken insufficient account of the regulations since the system was reviewed when it comes to determining the disability percentage of the (partly) disabled. It is still too early to determine whether the research into hidden unemployment under the disability benefit scheme was totally wide of the mark. Allowance needs, for example, to be made for a gradual tightening up of the way in which the scheme is administered. This process may well be hastened by the changing climate within which the disability regulations currently operate and in the light of the growing pressure from within the political system and from the social partners to limit the volume of disability payments. Finally, the policy options have by no means been exhausted (see Chapter 5).

### 3.3.4 **Education and training**

Training and adult education are vitally important for future economic growth and employment. The Dutch labour system appears to be increasingly know-how intensive, although it is difficult to demonstrate this on the basis of a few simple indicators. Technical and scientific change mean that knowledge and expertise rapidly get out of date. Such change is one of the reasons for the shifting sectoral pattern of employment. Old professions disappear and new ones emerge, while new - not always higher - demands are made of existing ones. Such transformations require training and retraining. It is fair to say that the better the labour force is qualified in terms of the opportunities offered by the economy at a particular point, the more this will enhance the demand for labour and hence the prospects of employment.

The labour force participation of adults is closely related to the level of education. Table 3.7 illustrates this for 1985. In the case of both males and females the level of participation rises with the level of education. The correlation applies at all ages. The very low labour force participation rate at the lowest level of education among both males and females is particularly striking; and it is here that unemployment is concentrated.

This same link between level of education and labour force participation exists in other OECD countries. It is notable that the OECD has established that as the participation rate rises the influence of education level falls. In Sweden, for example, the net participation rate for all levels of education among both men and women is over 80 per cent<sup>13</sup>.

Among other things the 1979-1983 recession led to a substantial displacement of the poorly educated by the better educated. Research indicated that easily the most important reason for the drop in employment among the poorly educated in 1979-1985 was the fact that many jobs carried higher educational requirements even though the nature of the activities had not changed greatly.

<sup>13</sup>]

OECD, Employment outlook 1989; Paris 1989, Chapter 2.

**Table 3.7 Participation rates by level of education, 1989**

education level	net participation rate*		
	males	females	total
lower/basic education	59	24	39
general sec./junior vocational	84	44	62
higher general/pre-univ./intermediate voc.	88	60	75
higher vocational	89	70	80
university	90	80	87
total	83	49	66

\*) The net participation rate is defined here as the active labour force divided by the population aged 15-64, less those in full-time education. The figures for the total consequently differ from those provided elsewhere in this report.

Source: A. van Bastelaer and S. Loozen, 'Het onderwijsniveau van de Nederlandse bevolking: uitkomsten van de Enquête Beroepsbevolking 1988 and 1989' (Education level of the Dutch population: results of the Labour Force Survey 1989 and 1989); Supplement to the socio-economic monthly statistics; CBS, 1990, no. 4.

In addition employment opportunities for the poorly educated declined due to the fall in total employment and changes in the job structure and the structure of the economy. Only a very small proportion of the reduction in employment for the least educated during this period is attributable to the disappearance of suitable jobs for this group, while over 80 per cent suffered displacement. The volume of unskilled work has therefore fallen, but not to the extent that the drop in the number of least educated workers might suggest<sup>14</sup>.

A continuing growth in employment is a necessary precondition for reversing the displacement process. The prospects for employment for the poorly educated rise as the better educated are able to find work at their own level. The latter does of course presuppose that the better educated have kept up their required knowledge and skills or are able to brush up and update them through training.

In the event of a genuine reversal of the displacement process additional manpower can also be mobilized (from hidden unemployment) and the participation rates at the lowest education levels can rise.

<sup>14</sup> ]

H.D. Webbink, C.N. Teulings and P. Tang, De werkgelegenheid voor laaggeschoolden 1979-1985; (Employment for the poorly educated 1979-1985); WRR Working Document W45, The Hague, April 1990.

The various forms of adult education are also particularly important in this respect. Certain aspects, such as vocational training, can supplement and in some cases also form a functional equivalent for regular educating. In other areas of adult education, such as basic education, social education and personal development, the significance is often that it sets the stage for obtaining a vocational qualification. As more active and effective policies are conducted in the field of adult education this will be reflected in due course in the labour force; not just investments in education but also investments in adult education generate 'human capital', which will seek to pay for itself.

In view of the WRR survey of labour force participation trends in the 1990s as outlined earlier in this chapter (see Figure 3.5), it may be said that these trends will become more realistic as the net and gross participation rates of the least well educated rise as a result of processes of 're-placement'. The provision of an adequate adult education infrastructure can fulfill a similar function (see Section 4.4).

### 3.3.5

#### **Individualization**

The labour force participation is related to the household composition of the population. Confining ourselves to begin with to the potential labour force, it may be assumed that single householders will maintain themselves through paid employment unless they are propertied or unable to work on account of illness, infirmity or unemployment. The same applies to most adult members of the growing number of 'non-family' and 'other households'. In the case of couples with children, at least one partner - will apart from the exceptional circumstances noted above - be in paid employment. The same applies to couples without children, but here there is a much higher proportion of two-income households. A high proportion of single parents are not in paid employment.

As the number of households with children falls in relation to the total number of households and as the number of single householders rises in relation to the remaining number of households, the labour force participation may be expected to rise given an unchanged demographic structure. Such changes are characteristic of the individualization process. The table below provides an impression of developments over time in the various types of households.

Table 3.8 reveals that within the total number of households, the percentage of standard families (i.e. couples with children living at home) has fallen from 57 in 1960 to 37 in 1987. The mirror image is formed by the large increase in the proportion of one-person households and a slight increase in the proportion of non-family and other households (largely young unmarried two-income households). Notably enough the proportion of one-parent families barely changed during the period 1960-1987; nor did the percentage of couples without children. Expressed in index figures a rather different picture is obtained.

**Table 3.8 Households by composition 1970-1987 (in per cent)**

	1960	1970	1980	1987	1988
One-person households	12	17	21	28	29
Couples without children	23	24	23	22	-
Couples with children	57	53	44	37	-
Single-parent families	6	5	6	7	-
Non-family and other households	2	1	6	6	-
Total (x 1000)	3130	3890	4911	5711	5814
	100%	100%	100%	100%	100%

Source: Nota Inkomensbeleid 1990 (Incomes Policy Memorandum 1990); Parliamentary Proceedings 1989-1990, Lower House (Tweede Kamer), 21307, Nos. 1-2, pp. 10-11.

By **non-family households** are meant: multi-person households other than a family; unmarried cohabiting couples. By a **family** is meant: a couple with or without children and one-parent families. **Other households** are: family households with other household members not forming part of the family and multi-family households.

Table 3.9 shows that over half the population in 1986 was living in a family with one or more children living at home, although the proportion has been falling gradually over time. In relation to 1977 there has been a reduction of six percentage points. The percentage of the population cohabiting without children (i.e. non-family households) remained comparatively stable during this period. The number of single householders, by contrast, rose substantially over the nine years. In 1986 11 per cent of the Dutch population lived alone. The percentage of inhabitants forming part of 'other households' also remained comparatively unchanged during this period.

The table suggests that if present developments continue at the same pace, the proportion of the population living in a family consisting of a couple with children living at home will drop below 50 per cent during the 1990s.

A number of factors are responsible for this trend, the most important of which are:

- increasing longevity means that the time-span in which a couple has children living at home has become smaller in relative terms;
- the large number of divorces means that many adults will form one-person households one or more times during their lives, for shorter or longer periods;
- the elderly are living independently for increasingly lengthy periods;
- young people are leaving home at an earlier age and are doing so more frequently as single householders;

- after a certain interval, many divorcees enter into new relationships recorded statistically under 'other households';
- the notion of a 'couple' is becoming dated since a significant number of cohabiting couples do not get married, or only after some delay.

**Table 3.9 Dutch population by household type in 1986 (in per cent)**

	1977	1981	1985	1986
One-person households	6	7	10	11
Couples without children	15	16	17	16
Couples with children	63	61	59	57
Single-parent families	4	5	5	5
Non-family households(a)	3	4	4	4
Other households(b)	6	7	5	5
Average number of persons per household	3,0	2,8	2,6	2,6

Source: Calculated on basis of CBS, Inkomensverdeling van huishoudens 1977 (Household income distribution 1977); CBS, Personele inkomensverdeling 1981 and 1985 (Distribution of personal income 1981 and 1985; Nota Inkomensbeleid 1990 (Incomes Policy Memorandum 1990); op. cit., p. 15.

- (a) **Non-family households:** multi-person households other than a family; unmarried cohabiting couples. By a **family** is meant a couple with or without children or a one-parent family.
- (b) **Other households:** a family household with other household members not belonging to the family and multi-family households.

Another aspect of the individualization process is the increasing labour force participation by women and, in particular, the labour force participation of married women. The percentage of married women in paid employment has doubled in the space of two decades: in 1970, 19.5 per cent of married women were in gainful employment, compared with 38 per cent in 1988. The rising trend is likely to continue.

From the above it may be concluded that if the trend in recent decades is sustained, less than half the population will be living in a family with children living at home in the second half of the 1990s. In combination with the increasing labour force participation of married women this implies that the traditional breadwinner is a phenomenon encountered by a steadily shrinking minority of the population in their own households in the

Netherlands. Only 35 per cent of inhabitants form part of single-earner households consisting of a couple (married or otherwise) with children <sup>15</sup>.

### 3.3.6

#### **Attitudes towards paid employment**

There are few precise data on changes in attitudes towards paid employment in the Netherlands. A survey into cultural changes conducted by the Social Cultural Planning Office (SCP) revealed no evidence of any clear shifts in opinions related to work orientation among those in full-time employment between 1975 and 1983. The importance attached to the free weekend - a leading indicator of work-orientation - did not change; nor did job satisfaction. Among the unemployed, however, striking shifts did take place during this period. The willingness to work on the part of the unemployed increased between 1975 and 1983. The unemployed became less demanding with respect to the work they were prepared to accept, and were more prepared to make sacrifices in order to obtain work. Given the mass scale of unemployment in 1983, those falling into this category differed substantially from those in 1975. This probably forms the main explanation for the growth in work orientation among the unemployed during this period.

The SCP's opinion survey suggests evidence of a fairly large unexploited supply of labour among housewives. The attitudes of the Dutch population in favour of an equal distribution of paid employment between men and women do not correspond closely with reality, in which only 38 per cent of married women are working, most part-time. In all probability the difference between attitudes and reality stems not just from differences between what people say and do but also from the limited opportunities for people to act on their wishes. Attitudes in favour of an equal distribution of paid employment between men and women will stand a greater chance of being converted into reality in a socio-economic situation in which women are offered more employment opportunities than in the 1980s, in an institutional environment in which the contribution made by women to household income through paid employment is greater or in an environment which facilitates paid employment by women, for example through the provision of proper child-care facilities. Given the unexploited female labour reserve, Manders' estimate of the supply of labour (see section 3.2.2) will therefore prove conservative the more that the socio-economic and institutional circumstances affecting labour force participation by females change more markedly than in the first half of the 1980s. Conversely the WRR survey of the number of employed persons in the course of the 1990s would then prove more realistic.

<sup>15</sup>]

Lower limit: according to CBS figures, 57 per cent of the population in 1986 lived in the household type 'couple with children'; according to SCP/AVO 1987, 55 per cent of (married or unmarried) couples with children in 1987 had a single paid job:  $0.57 \times 55 = 31$  per cent. Upper limit: the lower limit plus the percentage of inhabitants in a non-family household (4 per cent in 1986) multiplied by the (maximum) participation rate of this group (81 per cent according to the OSA figures in Table 3.12) plus the percentage of inhabitants in an 'other household' (5 per cent in 1986) multiplied by the (maximum) participation rate of this group (66 per cent according to the OSA figures in Table 3.12). In figures:  $31 \text{ per cent} + (4 \times 0.81) + (5 \times 0.66) = 37.5 \text{ per cent}$ .

### **Labour force participation among the elderly**

The labour force participation of both males and females aged 55 to 64 is particularly low in the Netherlands in comparison with other countries.

The same applies to the labour force participation among the over-65s (see Chapter 2). The low participation rate among males aged 55-64 is complemented by the large number of elderly unemployed persons, elderly disability benefit claimants and workers taking pre-retirement.

Given the future development of labour force participation it is relevant to ask whether older employees would themselves like to continue working, for example up to the 'normal' retirement age of 65 or even beyond.

The possibility also exists that, like their counterparts in the United States, the elderly in the Netherlands could in the near future legally contest age discrimination and especially age-related dismissals. In this respect the impact of the European process of integration is of interest. The question is: to what extent will the Dutch government be required to eliminate age-discrimination provisions from its legislation in the same way that it has been obliged to introduce equal treatment for men and women in line with the European legislation.

The present scale of pre-retirement leads one to suspect that the majority of elderly people in the Netherlands are not particularly interested in prolonging their employment. The number of persons to have taken pre-retirement is, however, an inadequate indicator; in many cases there is also a certain pressure from the employer and/or colleagues to take pre-retirement. In many cases pre-retirement also means that the work has become an excessive load. Other solutions, such as demotion or second careers, have not yet become accepted practices in the Netherlands (see further Chapter 5.2).

Nevertheless there are indications that a proportion of older employees feels no need to leave the labour system. Some would even like to continue working beyond the age of 65. A CBS survey of living conditions indicated that in 1982 there had been a rise in the willingness to work, or to work more: 16 per cent of males aged 55 and over (living independently) reacted 'positively/not negatively' to this question. In the 65-69 and 70-74 age groups the respective proportions were 14 per cent and 8 per cent.

The same pattern is observable in the female population, with somewhat lower percentages.

Gerontologists and geriatrists are virtually all agreed that in order to grow old healthily people should remain active for as long as possible <sup>16</sup>. Needless to say this does not have to take the form of paid employment, although the less that paid employment takes the form of physical labour and the more it is an activity in which an individual is able to express his or

<sup>16</sup>]

Cf. P. Laroque, 'Towards a new employment policy', *International Labour Review*, Vol. 128, 1989, No. 1.

her personality and to develop physical and intellectual capacities, paid employment may provide an attractive means of remaining active for the elderly.

The labour force participation of the elderly is closely related to institutional arrangements such as unemployment provisions, the disability and pre-retirement schemes, pension systems and the organization of employment in Dutch companies and institutions. These regulations form the framework within which the elderly make their choices about whether or not to perform paid employment. An institutional framework in which the labour force participation of the elderly was made attractive might well elicit a high response. The future labour force participation will, therefore, depend in part on the political decisions taken with respect to the institutional framework governing the labour force participation of the elderly.

### **3.4 The opportuneness of higher labour force participation**

#### **3.4.1 The demographic opportuneness of higher labour force participation**

The age structure of the Dutch population will change radically over the next few decades. The number of elderly people will rise in both absolute and relative terms. This demographic shift will have significant consequences for the public sector, as the changing age structure will affect both public expenditure and public revenues.

This development does not just relate to the growing number of people aged 65 and over; a shift towards older age groups will also take place within the 15-64 age range. Closer analysis reveals that the age distribution of the population exhibits a 'bulge' between the ages of 15 and 45 (i.e. the birth years of 1945-1975; see Table 3.10).

Other things remaining equal, the ageing of the 15-64 age group will not just lead in due course to a fall in average participation but also to an increase in the level of public spending, since the extent to which use is made of benefits and other forms of public provision often rises with age.

The ratio between the number of taxpayers and social insurance contributors and the number of people drawing on social provisions will therefore be adversely affected.

The 'demographic pressure' is defined as the number of 0-14 year-olds plus the number of over-65s divided by the total population. This definition implicitly supposes that all 15-64 year-olds are in principle available for employment. As shown by the participation figures presented earlier in this chapter, however, this does not apply to 15-19 year-olds and to persons aged 60 to 64, where the participation rates are only 33 and 16 per cent respectively. In particular the low participation and high resort to benefits among the 60-64 year-olds (and to a lesser extent those aged 55-59) will mean that the aforementioned 'bulge' in the age distribution will have the effect of depressing public revenues and increasing the level of expenditure from the year 2000 onwards.

**Table 3.10 Benefits and participation per age group**

age	0-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
benefit claimants 1988	0%	2,5%	13,3%	14,2%	13,8%	14,0%	14,9%	20,2%	27,3%	36,4%	58,9%	100%
net participation rate 1988	0%	33,1%	65,7%	72,2%	69,8%	69,8%	69,7%	67,5%	56,7%	41,4%	15,9%	3,5%
population 31.12.1988 (in thousands)	2.710	1.152	1.262	1.278	1.193	1.146	1.145	868	765	726	669	1.877

Source:	AOW:	General Old Age Pensions Act. Population aged 65 and over, see source Table 3.14.
	AWW:	Widows' and Orphans' Benefits Act. Social Insurance Bank, <u>Annual Report 1988</u> ; p. 75, Widows only.
	VUT:	Pre-retirement. Calculations on basis of E.A. Bolhuis, S.J. Ottens, M.A. Steenbeek-Vervoort, 'De VUT met pensioen?' (pre-retirement with pension?); <u>Economisch Statistische Berichten</u> ; 5 August 1987, pp. 726-728.
	WAO/AAW:	Disability/General Disablement Benefit Act. Social Insurance Council, <u>AAF/AOF Annual Report 1988</u> ; pp. 104-105.
	ZW:	Sickness Benefits Act. Calculations on basis of <u>Sociaal Economische Maandstatistiek</u> ; 1988 no. 4 and B.J. Vrijhof and S. Andriessen, <u>Ziekteverzuim 1981-1985</u> (Sickness absenteeism 1981-1985); Social Insurance Council 1986, p. 55.
	WW:	Unemployment Benefit Act. <u>Sociaal Economische Maandstatistiek</u> ; 1989, no. 5, p. 34.
	RWW:	Government Unemployment Assistance Regulations. <u>Statistisch Bulletin</u> , 1989, no. 17, p. 12.
	Participation:	Eurostat, <u>Labour Force Survey - Results 1988</u> ; p. 87. The figure for 15-19 year-olds has been calculated by the WRR on the basis of these figures.

In the current Dutch situation it is perhaps more appropriate to calculate the demographic pressure on the basis of young people up to and including the age of 19 and the elderly from the age of 60.

Own calculations by the WRR indicate that the ratio of the number of benefit claimants (old age, widows and orphans, pre-retired, disabled, sick and unemployed) to the total number of employed persons in the period 1990-2020 will increase by 42 per cent due to demographic shifts, i.e. other

things remaining equal <sup>17</sup>. Whereas at present the social security contributions and taxes paid by every 100 able-bodied employees fund 65 such benefits, demographic developments mean that by the year 2020, the figure will have risen to 93 (see Table 3.11). This implies that the annual increase in expenditure per employee will rise from 0.6 per cent per year in the first half of the 1990s to 1.6 per cent per year in the period 2010-2020. In 1988, such benefit expenditure already stood at about 65 billion guilders. (These calculations are based on the number of employees; they take no account of the scale of part-time employment and of changes therein.)

**Table 3.11 Benefits and tax/social insurance base**

year	number of benefits x 1000	number of employees* x 1000	ratio	index 1990 = 100	annual growth
end 1988	3.793	5.811	0,653	99,6	
1990	3.845	5.870	0,655	100,0	0,2%
1995	4.077	6.047	0,674	102,9	0,6%
2000	4.289	6.097	0,703	107,4	0,9%
2005	4.519	6.084	0,743	113,4	1,1%
2010	4.811	6.021	0,799	122,0	1,5%
2020	5.433	5.823	0,933	142,4	1,6%

\*) Less sickness absenteeism. In contrast to the forecasts in sections 3.2.2 and 3.2.3, the number of employees shown here is affected only by demographic trends.

Source: WRR calculations based on the figures in Table 3.13 and the 1989 population forecast in: Maandstatistiek van de bevolking; 1989, no. 5, pp. 30-33.

The demands made on other publicly provided facilities similarly partly depend on the age structure of the population. This applies for example to health care, education and the social services.

The uptake of health care facilities is highly dependent on age. Research indicates that the average cost of health care for people aged under 50 amounted to approximately 1,515 guilders a year in 1985, 3,300 guilders for those aged 50-64, 4,600 guilders for those aged 65-74 and 10,200 guilders for those aged 75 and over. A rough calculation indicates that as a result of the anticipated demographic changes, costs in the year 2000 will be roughly 10

<sup>17]</sup> These calculations assume a constant percentage of benefit claimants per age group, including unemployment benefit claimants. The participation rate projection is based on the age-specific participation rates in 1988. No account has been taken of rising participation rates within age groups as a result of long-term or policy-induced developments. The calculations are therefore based purely on demographic factors.

per cent higher than in 1990. In the 2020 the costs will be almost 30 per cent higher (see Table 3.12). Similar trends will take place in the field of social welfare and housing<sup>18</sup>.

**Table 3.12 Health care costs**

year	Health care costs (billions of guilders)	Index 1990 = 100
1988	36,9	98,8
1990	37,3	100,0
1995	39,0	104,6
2000	41,2	110,4
2005	42,9	114,9
2010	44,4	118,9
2020	47,5	127,3

Source: WRR calculation based on 1985 cost figures derived from C. Petersen and P.B. Boorsma, 'Financiering gezondheidszorg en demografische ontwikkeling' (The financing of health care and demographic trends); in: R.J.M. Alessie, P.B. Boorsma, F.A.J. van den Bosch et al., Demografische veranderingen en economische ontwikkelingen; Reports by the Royal Association for Public Finance, 1987, p. 278.

For the next ten years spending on education will continue to fall as the comparatively large cohorts from the 1965-1975 period (now aged 15-25) grow older, followed by something of a stabilization. Expenditure on the administration of justice could also fall with the declining number of young people. Whether this effect in fact occurs will depend on the extent to which the present age-related crime statistics reflect age or cohort-based differences.

Expenditure in the growing categories of social security, health care, welfare and housing are already now many times greater than those in the shrinking expenditure categories (i.e. education and, possibly, the administration of justice). If the rates of growth and decline are of the same order of magnitude, total expenditure will therefore rise sharply as a result of the changing age structure of the population.

<sup>18</sup>]

On account of divorce and their partner's death, the elderly tend to live in smaller households than the middle-aged.

Apart from ageing, the continuing trend towards ever smaller households ('family shrinkage') is relevant for public expenditure<sup>19</sup>. Since benefits per person are generally higher for single householders than for people forming part of a multi-person household, this trend will also lead to an increase in public spending. At the same time it is conceivable that the participation rates in each age group will rise as a result, thereby broadening the revenue base.

The conclusion to emerge from this section is that demographic trends in the coming years will exert an upward effect on public expenditure and a slightly downward effect on the revenue base for such spending. In the absence of any increase in labour force participation, part of the economic growth will have to be earmarked for paying the cost of this demographic shift. Higher labour force participation can help promote the ability to fund such spending.

### 3.4.2

#### **The economic opportuneness of higher labour force participation**

The maintenance of living standards in both an absolute sense and a relative sense (i.e. in relation to the level of prosperity in other countries) is a fundamental economic argument for a higher labour force participation. At first sight the present situation in the Netherlands would appear at variance with this: the Netherlands are one of the most prosperous countries in the world, while at the same time the labour force participation is well below that in many other affluent countries.

The explanation resides in the comparatively high level of labour productivity. It was seen in section 2.2.5 that in terms of per capita income, the Netherlands lag slightly behind the other OECD countries. In terms of income per man-year worked, however, and certainly in terms of income per man-hour, the Netherlands lie closer to the United States.

The high labour productivity in the Netherlands derives in significant measure from the physical and human capital in the country. In addition it may be said that those in paid employment work hard and intensively. For many men, one of the reasons this is possible is that they have a wife (who may or may not have a paid job outside the home) to relieve them of household and caring tasks. Finally, the high level of labour productivity is probably also due to the extent to which less productive employees are discharged from the labour process through the disability and pre-retirement regulations, thereby increasing the average productivity of the remaining employees. Given the already large number of disability benefit claimants and pre-retired, it would appear less likely that a rapid increase in labour productivity can be sustained, other than by technological

<sup>19</sup>]

This relates solely to family shrinkage within age cohorts. Family shrinkage due to the changing age structure forms part of the aforementioned calculations.

progress including its incorporation in investments and training <sup>20</sup>. If a reasonable rise in living standards is still to be achieved despite lower gains in labour productivity, the labour force participation in the Netherlands will need to rise. The United States show that the combination of high labour productivity and high labour force participation is possible.

Apart from an increase in the number of disabled, increasing use has also been made of other social security regulations. The extent of this development in recent decades is revealed by the ratio between the economically active and economically inactive.

**Table 3.13 Developments in the number of economically active and inactive persons, 1960-1988**

year	(1) Volume of employment	(2) Volume of benefits	(3) Ditto excl.AOW*	(4) (2):(1)	(5) (3):(1)
1960	4182	1370	333	0,328	0,080
1970	4709	1807	478	0,384	0,102
1980	4807	2767	1128	0,576	0,235
1988	4814	3581	1688	0,744	0,351

Volume of employment: incl. the self-employed, public sector and the sick; x 1000 man-years.

Volume of benefits: excl. payments under the Sickness Benefits Act; x 1000 benefit-years.

\*) AOW: General Old Age Pensions Act

Source: Financiële Nota Sociale Zekerheid 1990 (Social Security Financial Policy Document 1990); Parliamentary Proceedings, 1989-1990 session, Lower House (Tweede Kamer), 21 312, nos. 1-2.

Table 3.13 reveals that there has been a radical change in the ratio between economically active and inactive persons since 1960. Whereas in 1960 there were 31 full-time employees for every ten (full-time) benefit claimants, by 1988 the figure was down to just 13. If state pensioners are left out of account, we then find that instead of the 126 employees for every ten benefit claimants in 1960, there were just 29 full-time employees in 1988. As noted in the previous section, demographic trends suggest that a further deterioration in these ratios is to be expected.

<sup>20</sup>]

As more people drop out of the labour system in this way the marginal increase in labour productivity upon the disappearance of an additional employee for reasons of disability or pre-retirement will steadily decline. In due course, partly for this person a lower rise in labour productivity needs to be allowed for.

The figures in Table 3.13 indicate that, over the course of time, increasing demands have been made on the solidarity between the employed and non-employed. It will be clear that this trend cannot be sustained indefinitely. The process can be reversed in two ways, firstly if benefit claimants are able to resume paid employment (i.e. the unemployed and hidden unemployed in the disability schemes), and secondly if the untapped supply of labour (especially women reentering the labour market) enters the labour system to a greater extent and if the elderly exit from the labour system less rapidly. These two paths would not just be to the economic benefit of the employed: the larger social insurance contribution base would also enable the financial position of the remaining benefit claimants to be maintained or improved.

One of the reasons why such a change is required is the level of the tax and contribution overhead, i.e. the difference between the wage costs which a company must pay for an employee and the net wage that the employee ultimately receives after deduction of employer's and employee's social security contributions and taxes. The size of the tax and contribution overhead is related to the aforementioned degree of solidarity. Eurostat figures reveal that the net wage in the Netherlands amounts to 51 per cent of wage costs<sup>21</sup>. This means that the tax and contribution overhead amounts to 49 per cent. In other countries the overhead is lower, ranging from 43 per cent in West Germany and 42 per cent in Belgium to 33 per cent in the United Kingdom. This means that wage costs per employee in the Netherlands are on the high side, whereas the net wage is on the low side.

The high wage costs are a particular burden for companies competing in (international) markets in which there is little scope for product differentiation or where technological changes have run their course, and where costs are therefore the decisive competitive factor. In these circumstances the competitiveness of Dutch industry is adversely affected. A higher labour force participation could help bring about a cut in the tax and contribution overhead and hence a reduction in wage costs, thereby generating new employment. The latter naturally applies to industry in general but certainly also to the non-profit and public sectors, both of which have a high labour intensity (see also section 4.2).

A final reason for aiming at a higher level of labour force participation is related to the high level of spending on education, training and work experience. Among other things such expenditure is incurred on the assumption that both the individual and society or the company will in due course obtain economic benefit.

It may be seen from Figure 3.6 that in 1958, the participation in education by females aged 14-20 was significantly lower than that of men. Three

21 ]

See Commission of the European Communities, A social Europe; Luxembourg, 1990, p. 61. See also Ministry of Economic Affairs, Economie met open grenzen; (Economy with open frontiers); Parliamentary Proceedings, 1989-1990 session, Lower House (Tweede Kamer), 21670, no. 2.

decades later this difference had nearly disappeared. Participation in education among both males and females in this age group has risen sharply. On account of the low net labour force participation of females, the economic return on education for females lags behind that on education for males.

In view of the high level of spending on education and the length of time that individuals spend in education, the low participation of women may be regarded as a significant waste of scarce resources. Individuals, industry and society in general could reap greater economic benefit from the high level of spending on education if a higher proportion of women were to utilise their education occupationally for longer periods. This argument too provides grounds for an increase in the labour force participation.

### **3.4.3 The social opportuneness of higher labour force participation**

There are a number of social arguments for a higher level of labour force participation. These relate to the participation of females, unemployment, hidden unemployment among disability recipients and the wishes of the elderly.

A growing number of women are seeking employment outside the home (see also sections 3.3.5 and 3.3.6). In the 1970s and 1980s, this was reflected in the policies of the government and the social partners. The promotion of labour force participation of females has become an official policy goal. "It is essential", states the 1990-Social Innovation policy document, "to create the right sorts of conditions to enable women who wish to do so to participate in paid employment. (...) For women returning to the labour force it is important that they be provided with the opportunity to participate in extra training and work-experience schemes. It is also desirable to expand the facilities enabling a combination of caring tasks and paid employment. It is a matter of enabling people to maintain their links with the labour market, since return after a break in labour force participation is becoming steadily more difficult." In the context of this report, the desirability of facilitating participation in paid employment by females is a significant argument for a policy to promote higher labour force participation.

Research by Becker indicates that the majority of the unemployed also retain a strong orientation towards paid employment. Results of surveys conducted in 1982 and 1986 indicate that six out of every ten unemployed persons regard unemployment as decidedly negative and remain clearly oriented towards paid employment. Around three in ten unemployed persons, by contrast, appear comparatively indifferent towards the fact of their unemployment or are at least not clearly oriented towards paid employment. In some cases these are people with health complaints. In many cases these are not insuperable; according to Becker, surveys show that health complaints among the unemployed tend to disappear rapidly once they have found work. Finally, one in ten unemployed persons is satisfied with this situation.

Apart from the existence of small-scale subcultures of long-term unemployed persons, other surveys confirm a marked orientation towards paid employment among a large share of the unemployed. The desire of the majority of the unemployed to find a job does not form the only reason for combating unemployment; other relevant considerations include social norms and the enforcement of legal rules. In particular, this concerns rules of law in the field of social security or, more generally, the social norm that adult residents, either alone or in conjunction with their partner, should provide for their own maintenance by means of paid employment in so far as they are not prevented from doing so by old age, sickness, infirmity or wealth.

In a modern, mixed economy with a well developed division of labour, the responsibility for the observance of this social norm is not just a matter for individual citizens. The government, and, in the Dutch situation, the social partners, bear a responsibility in making this possible. Given the wishes of the majority of the unemployed, the prevailing social norms, and the maintenance of the principles of the welfare state, a preventive and curative policy to combat unemployment may justifiably be regarded as one of the principal objectives of government policy. In the terms of this report, an effective anti-unemployment policy provides a contribution towards the convergence of the gross and net participation rates.

With respect to activating the unexploited employment potential of disability benefit claimants, the same arguments apply in principle as those for combating unemployment. In this respect it should be noted that hidden unemployment under the disability beneficiaries does not depend so much on the scale of employment - although that plays a role - as it does on the ability of employers to shed labour under the disability regulations and to take on handicapped labour for work in line with their capacities. The greater the room the labour system provides for the handicapped the smaller will be the scale of hidden and partial unemployment.

The promotion of higher participation rates among the elderly (both males and females) is in line with the wishes of a significant proportion of the elderly. The few data available on this aspect were noted above. In addition, labour force participation is a significant means not just for the young but also for the elderly of taking part actively in society. The current demographic trends indicate that the active labour force is growing older, but in a system in which physically taxing labour is now on a small scale, this need not in itself be a disadvantage.

#### 3.4.4

#### **The international political opportuneness of higher labour force participation**

In a society such as the Netherlands, which is obliged on account of the openness of its economy and its geographical location to remain internationally competitive, the choices made by the national government in virtually every area of policy are becoming ever more important. Such choices help decide the comparative success or failure of our society in its international context.

A labour force participation rate corresponding with or at least not differing excessively from that in competing countries would appear essential for a society increasingly exposed to policy competition from abroad. While countries do not compete in terms of their participation rates, they do on the basis of the effects of those rates. These have been examined above. In this respect the level of public resources is the most significant variable. The direct relationship with the labour force participation means that the latter affects the financial room for manoeuvre that a country has to achieve its objectives in the public sphere and to compete against other countries. The latter relates especially to competition in the field of education and the physical, technical and scientific infrastructure.

### 3.4.5

#### **Conclusion**

Other things remaining equal, demographic trends will lead to a fall in labour force participation. The revenue base for defraying the costs of health care, the social services and social security consequently shrinks. This shrinkage is offset to only a limited extent by the lower expenditure in fields such as education. A strengthening of the revenue base in the form of higher labour force participation is therefore essential in order to maintain the quality of the present welfare state arrangements.

Higher labour force participation also appears required if the Netherlands are to maintain their position as one of the most prosperous countries in the world. The ratio between the number of economically active and inactive persons (10:13 in 1988) forms a second economic argument for a higher level of labour force participation. This is also the best strategy for creating financial freedom to combat the genuine problems of 'new poverty'. In addition, the greatly increased participation of women in education provides an argument for utilizing this human capital more effectively.

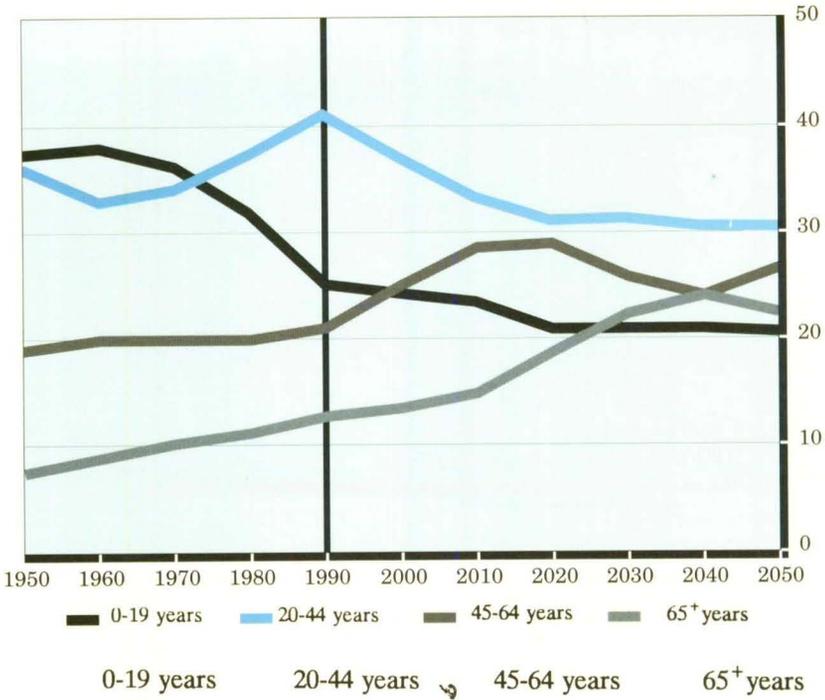
Furthermore, the fact that many women wish to perform paid work provides an important social argument for working towards a higher level of labour force participation. In addition, the majority of the unemployed aspire to paid employment. Quite apart from this, the unemployment benefit regulations require them to seek paid employment. Similarly the majority of disability beneficiaries are dissatisfied at being economically inactive. The provision of opportunities for entering into paid employment would be widely appreciated and would also lead to a reduction in employees' social security contributions. In addition there are indications that a significant proportion of persons aged 55 and over and a somewhat smaller proportion of the over-65s would like to remain in paid employment. Higher labour force participation would also be consistent with a society in which only a minority of the population are in one-income households consisting of a husband, wife and children living at home.

Finally, the process of international economic integration, especially within the European Community, will result in intensified policy competition between the nation states. This competition will take place especially in the fields of education and the physical, technical and scientific infrastructure and public spending. The respective attainments in these fields call for a

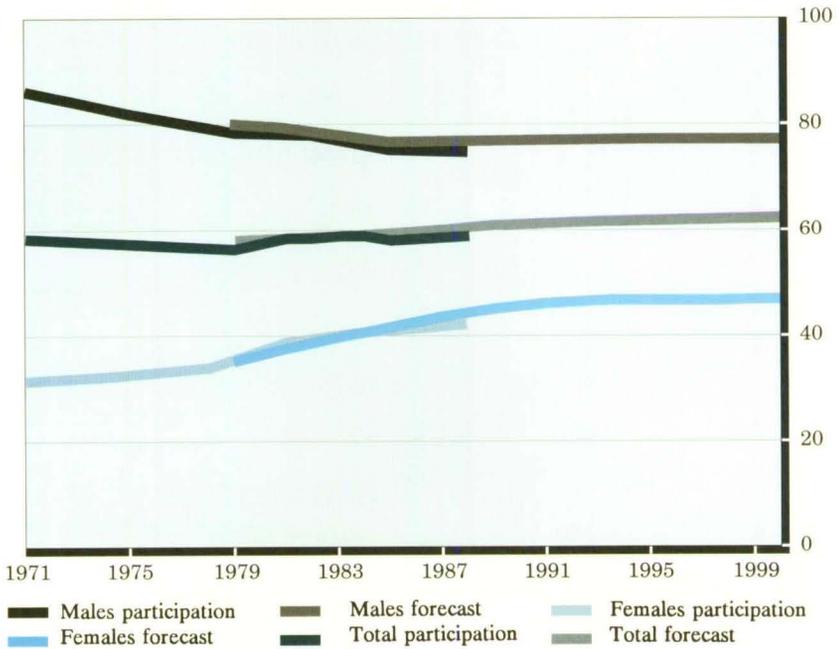
taxation and social security base, that ultimately comes down to the level and quality of labour force participation.

Taken as a whole the arguments outlined above point to the necessity for a policy aimed at increasing labour force participation. This will not just be a matter for the national government; the social partners will also need to play their part, as will local government. Finally, a higher level of labour force participation will only be possible if a substantial proportion of the population considers that the positive aspects of employment outweigh the possible drawbacks.

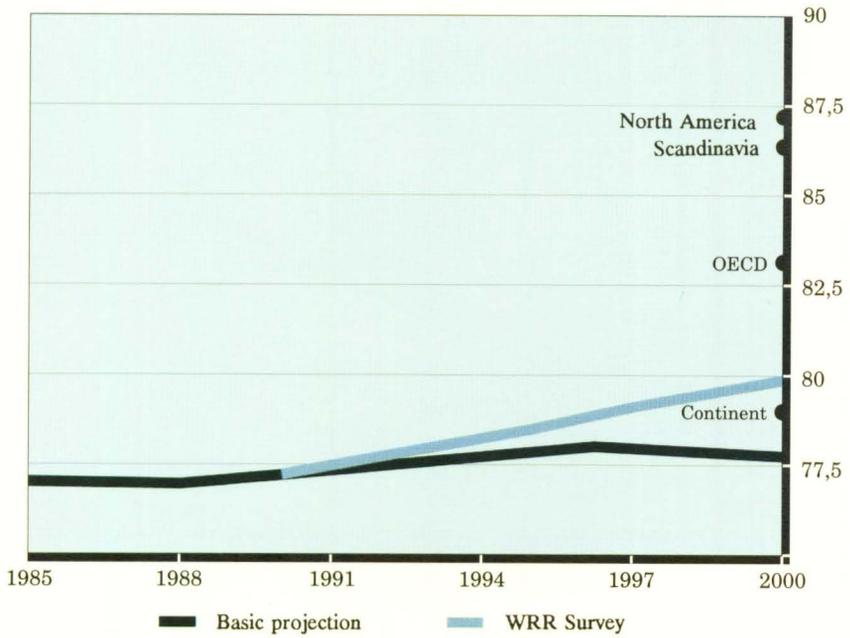
**Figure 3.1 Population according to age, 1950-2050**



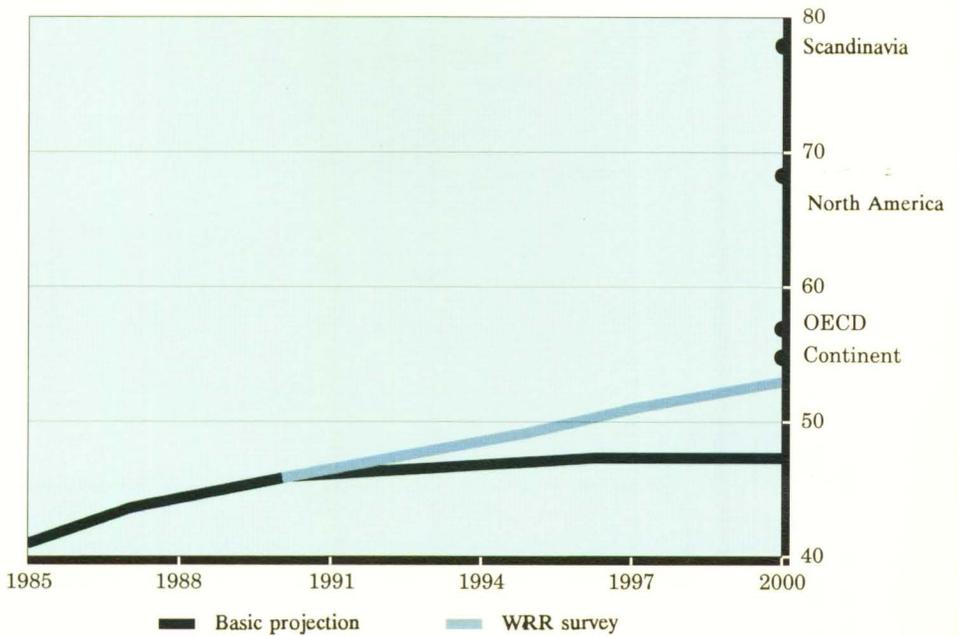
**Figure 3.2 Development of gross participation , 1971-2000**



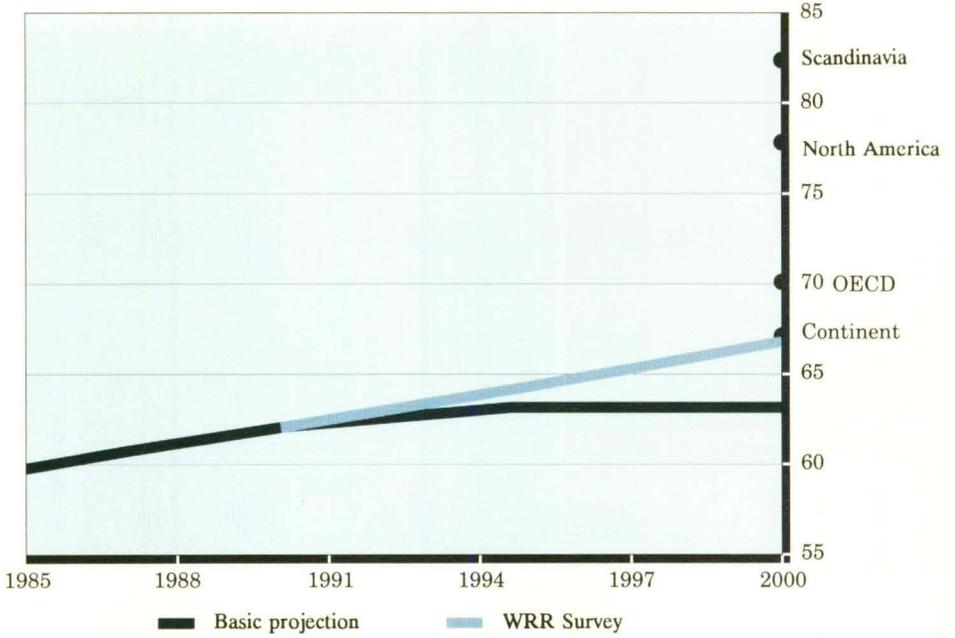
**Figure 3.3** Gross labour force participation males  
Some future projections



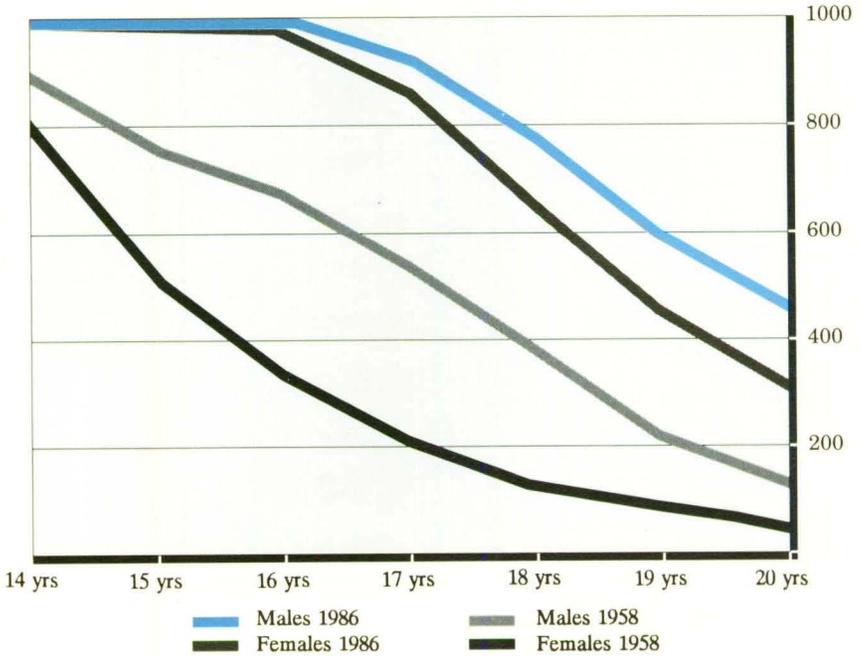
**Figure 3.4** Gross labour force participation females  
Some future projections



**Figure 3.5 Gross labour force participation total  
Some future projections**



**Figure 3.6 Participation in education in the Netherlands  
Number of schoolchildren per 1000 persons**





## 4.1 Introduction

The low labour force participation rate in the Netherlands is reflected institutionally in the social arrangements of the welfare state. It also forms part of an evolved system of economic production. At macro level, the pressure within companies to increase labour productivity has set in motion a negative cycle with respect to labour force participation.

This chapter provides an indication of the direction in which socio-economic policy should be adjusted if a higher participation rate is to be achieved. The various concrete policy options proposed can also serve as a framework for the further development of policy.

## 4.2 Breaking out of the negative spiral

Dutch society has long been characterized by a low labour force participation. This has manifested itself particularly in the strikingly high non-participation of females, at least in formal positions. Apart from religious and ideological factors, the late and limited degree of industrialization in the Netherlands compared with that in neighbouring countries may form one of the background reasons.

On a national scale the non-participation of women was regarded as so normal that the various institutional arrangements in the social welfare and security fields have been closely based on this premise. This applies to the taxation system and the arrangements and provisions relating to sickness, disablement, and old age. Women received less encouragement than men to obtain an effective education. Consequently, women generally enjoyed less favourable career prospects than men. There were no facilities for combining parenthood and paid employment - something in which there was little if any interest among both men and women.

This social division between men and women - and in a way also between the economic and the social - emerged most clearly in the debate about the level of the minimum wage. The latter was based on the principle that it should be sufficient for a breadwinner, his wife and two children to make ends meet. The division of labour between males and females has, however, also been institutionalized in many other areas. Thus married women participated only in the social security regulations mainly through their husbands<sup>1</sup> and any earnings of a married woman were taxed on those of

<sup>1</sup> Married women had no entitlement to the state pension and in most cases to certain unemployment benefits (WWV - Unemployment Provisions Act). Any benefits paid to women lapsed at the point of marriage or concubinage (e.g. widows' and orphans' benefits, national assistance).

her husband <sup>2</sup>. The underlying reasoning was that a married woman's earnings were no more than a supplement and therefore required no special protection. Similarly social behaviour and customs were adapted to the division between paid and unpaid work. Service industries assumed (and still do) that consumers have large quantities of unpaid time at their disposal. The opening hours of shops and institutions closely correspond with commercial working hours, so that men and women are able to perform their separate tasks during the same period.

The Netherlands did not commence from a favourable economic starting-point immediately after the Second World War. Although demand was buoyant, the lack of production capacity and the badly damaged infrastructure, combined with a substantial balance of payments deficit, meant that unemployment initially remained very high and that there was very little room for wage increases. From 1952 onwards the economy became more favourable, thereby facilitating a gradual reduction in unemployment. On account of the governmentally controlled wage policy, wage rises were kept right down. In order to compete in foreign markets and to benefit from the gradual process of economic integration in Europe, particular emphasis was placed on wage control. The policy proved so successful that unemployment virtually disappeared. And not just that: major tensions in the labour market arose as a result.

At that point it might have been 'decided' to take a more positive attitude towards the labour force participation of women. In socio-cultural terms, however, Dutch society was not yet ready for this. Although a number of tax concessions made employment for women somewhat more attractive, it did not provide sufficient stimulus. Women remained tied en masse and as a matter of course to the home. In addition the labour market was heavily segregated by sex. For those women who did wish to work only a few professions were in practice open to them. The introduction of a different option - attracting immigrant guest-workers for unskilled work - was accordingly adopted with next to no debate. In the 1960s, however, it proved impossible to hold the line on wages. During the preceding years contract wages had increasingly been supplemented by black wages. Once the dykes had been breached matters progressed very rapidly, with annual wage increases of 15 per cent.

To begin with the consequences appeared minimal. Economic growth remained high and unemployment low. The discovery and exploitation of the Slochteren natural gas field provided the Dutch economy with a fresh boost. Apart from a minor recession in 1966 there were no apparent clouds on the horizon. The social security system - provisionally completed in 1965 with the introduction of the National Assistance Act - was vigorously expanded. For instance in this period the Disability Insurance Act (WAO) was introduced. At the same time agreements were reached within the

<sup>2]</sup>

To begin with married women's earnings were simply added to those of their spouse and taxed accordingly. Following an increase in personal allowances, married women received a separate (low) personal allowance in 1973. In 1985 partners' incomes were linked to one another by means of the transferrable personal tax allowance.

Social and Economic Council (SER) concerning the level of the statutory minimum wage and the social minimum. It was also at this time that moves were made to link social security benefits to the wages paid in the private sector. These developments were not without consequence. Companies confronted by massive wage increases saw their competitiveness come under threat. The response took many forms, in which respect companies may be classified into three categories.

The first group concerns companies obliged to compete in the world market. Certain companies managed to make the switch to higher quality products, thereby enabling them to retain their employment levels; their products became so attractive that they were able to pay the higher wage bill. Others pursued the path of price competition. In order to meet the higher wage bill, major productivity gains had to be realized. This primarily took the form of capital expenditure. Even though this helped to keep up the level of employment, a certain rundown in employment could not always be avoided. The latter certainly applied to those companies that sought to stay afloat with their traditional product range but which lacked sufficient productivity increases. The less productive firms in particular, were consequently picked off. The result was a rapid increase in the average level of productivity and, with some delay, in productivity-related pay.

A second group of companies, operating solely in the domestic market, sought to offset the higher wage bill by means of price increases. The result was that customers requiring their goods for use as intermediary products were obliged to adapt their prices correspondingly - thereby undermining their competitiveness - and that other customers were lost. Labour-intensive services were increasingly offered on the black or grey market. In the do-it-yourself sector, especially households turned away from the business sector to a certain extent in order to keep costs down<sup>3</sup>.

For the third group - the government and companies in the non-profit sector - the same considerations applied to some extent, but here the extra earnings - except for natural gas revenues - came especially from higher taxation and social security charges.

All this set in motion a downward spiral. To remain competitive, companies in the first category were obliged to aim at productivity gains, if only to keep up with the next wage round. The knock-on effect on wages in the non-profit sector and on social security benefits in turn forced up taxation and social security contributions. To prevent this from leading to a cut in net wages, the gross wage bill had to be increased still further.

This downward spiral was further accentuated by another factor. When the Disability Insurance Act was introduced in 1967, it was assumed that no more than 150,000 individuals would receive a benefit. In reality, however, the number rose comparatively rapidly to over half a million. In 1976 the

<sup>3</sup>]

DIY activities do not necessarily depress employment, since they generate a large demand for materials and equipment, while the lower costs mean that more work is carried out.

General Disability Benefit Act (AAW) came into force. The number of disability beneficiaries currently stands at 860,000 - a notably high figure by international standards. The level of social security charges required to cover this group is, therefore, high. Wage costs have also risen as a result of expenditure under the Sickness Benefits Act. In terms of both sickness absenteeism and pre-retirement the Netherlands stand out internationally. The fact that widespread use has been made of these three regulations is closely related to the fact that labour productivity in the Netherlands is high, meaning that much is demanded of employees. The Disability Insurance Act and the pre-retirement schemes are an attractive alternative to the unemployment regulations for both employer and employee as they enable less productive and older employees to disappear from the production process in an 'acceptable' manner.

And so the country has got into a negative cycle. To remain competitive in the world market and to provide services at a reasonable price or minimize costs, the emphasis in the Netherlands has been very firmly on raising productivity by labour-saving investments. However rational such an attitude might be from the micro-economic viewpoint of the individual company, the macro-social and, by extension, macro-economic consequences certainly are not. The resultant increase in unemployment and the number of disability beneficiaries are driving up taxes and social security contributions. In turn, the consequent increase in wage costs provides grounds for assessing company workforces in terms of their productivity and dismissing the least productive - and not infrequently older - employees. Thus the circle is complete.

Current demographic shifts seem to accentuate the cyclical process even further. The fall in the number of young people means that the proportion of older employees, who cost more but have less training, is rising. This in turn reduces competitiveness. At the same time the number of over-65s is increasing, entailing not just a higher pensions bill but also higher health care costs. Since these costs will have to be borne by the same number or even fewer people given unchanged policies, this can lead to a higher rate of taxation and/or social security contributions, with all the adverse consequences that would entail.

In terms of the underlying philosophy of this report, this negative spiral needs to be overcome by means of a coherent package of measures. Clearly, such a switch cannot be achieved overnight but must be a long haul; the negative spiral has been of influence in many areas of social intercourse. Over time, it has been responsible for all sorts of rights and duties and entitlements and obligations. In many cases these rights and duties are deeply enshrined in attitudes of social justice and solidarity, and for that reason alone are not readily susceptible to change. This applies especially when it comes to labour force participation. The fact that the post-war 'normality' towards labour force participation was codified in a complicated and comprehensive system of State arrangements (the 'welfare state') meant that these arrangements acted as a shield against natural adaptation, so that the ultimately inescapable changes came to be and still are experienced as an ever growing threat.

Consequently, it is highly important gradually to introduce measures in many of the policy areas affected by the level of labour force participation. In a number of cases that gradual approach will need to take the form of a *cohort-based* adjustment of the regulations and arrangements of the welfare state. One example consists of the '1990 regulation' for young women, under which the cohort of females turning 18 in 1990 will be assumed to be economically independent, which involves certain consequences.

If the currently negative socio-economic cycle can be turned around, this could have the following notable consequences. First the long-term increase in labour force participation could exert a downward effect on labour costs, thereby increasing the demand for labour. Not only will existing goods and services become cheaper as a result, thereby boosting their sales, but it is also likely that the demand for products hitherto provided by households themselves - meals, child-care, care of family members and home maintenance - will be transferred increasingly to outside parties, thereby generating additional employment in those sectors. Even though little may change in real terms, since these services already existed, the placement of those services on a commercial basis and the consequent increase in the participation will mean a fall in the costs of non-participation and hence also of the burden of taxation and social charges on the part of those already engaged in the labour process.

Secondly, higher labour force participation can lead to lower unemployment and disability insurance contributions. Gross wage costs will consequently fall, thereby improving the competitiveness of Dutch companies in the exposed sector and making products in the sheltered (i.e. purely domestic) sector relatively cheaper, thereby improving competitiveness with regards to the black and grey circuits. It would also mean that labour becomes cheaper in the non-profit sector, thus leading to an increase in the volume and quality of employment. Other measures could have much the same effect as long as they lead to higher participation and hence to a lower burden of taxation and social security charges.

Thirdly, rising labour force participation will lead to higher labour productivity per head of population, even though the average labour productivity per employed person will probably fall slightly. This paradox may be explained as follows. The fact that a wide range of activities would be provided on a commercial basis at a higher participation rate or that they would alternatively be (re-)entering from the black/grey sector to the official economy means that the GNP of the Netherlands would rise. Per head of population this means an increase in product. On the other hand, the number of persons in employment will rise even more rapidly, both within the private sector and elsewhere, so that productivity per employed person will fall. Against this drop in productivity there would be a reduction in gross wage costs.

Finally there are indications that the quality of the product and also the quality of jobs could increase under such circumstances. More generally in a labour system with a high level of participation, employment would no longer be exclusively regarded by the providers of labour as a livelihood but

as a suitable vehicle for participating in society both directly, via the employment itself, and indirectly, via the income obtained and the social contacts the employment brings with it. The private circumstances of employees will have a greater, or different, bearing on the workplace than hitherto; forms of 'recurrent employment' will become an increasingly important element in individuals' employment careers. In circumstances of higher labour force participation, male employees would no longer be exempted by definition from the tasks of care: a rise in the female participation rate will mean that more males will work part-time too and/or will devote more time to domestic tasks.

A higher participation rate among females and greater involvement by males in domestic tasks will require changes in the way time is managed. This includes such matters as working hours and part-time work; the opening hours of companies and institutions providing services; school hours; and school holidays and leisure time. In addition, the currently highly uniform pattern of hours in the Netherlands also creates logistical and infrastructural problems. Furthermore, the potential capacity for informal care is likely to decline, while the numbers of those in need of care (especially the very old) will rise sharply with the ageing of the population. This means that the care sector will need to grow more rapidly in the coming years.

Elevating an increase in labour force participation into a main goal of socio-economic policy is consistent with the changing circumstances of a sharply restructured economy and a continuing process of individualization. It emphasizes that there is less and less reason to adopt an ambivalent attitude towards employment; that employment in the present day, and certainly that in the future, will be different from that of the industrial era; and that, as long as this remains unacknowledged, there is a risk of throwing the baby out with the bath water.

That ambivalence forms part of a dominant and self-evident mode of thought that sets the tone for daily practice in both the social sciences and policy. This concerns the relationship between the economic and the social or what the social scientist might term the relationship between economic and social rationality. In varying guises the social sciences maintain that economic rationality is increasingly penetrating the sphere of the social, and that the 'system' is in the process of dominating and even 'colonizing' the 'real world' <sup>4</sup>, and that functional or technical rationality is increasingly displacing substantial rationality <sup>5</sup>. The question to arise is by nature a conservative one, however progressively it may be formulated, namely: "How can the assault of economic on social rationality be held at bay, contained and possibly pushed back? How can a dam be erected against the flood of economic primacy?"

<sup>4</sup>] Cf. J. Habermas, Theorie des kommunikativen Handelns; Frankfurt, 1981.

<sup>5</sup>] Cf. K. Mannheim, Man and Society in an Age of Reconstruction; London, 1940, as well as Diagnosis of our Time; 1947; A.C. Zijderveld, The Abstract Society; Garden City, N.Y., 1970 and The Culture Factor; The Hague, 1983.

Projected onto employment and labour force participation, this question has received the answers it has sought: a basic income (although different from the partial basic income formerly proposed by the WRR), the leisure ideology, a highly elaborated system of social security, the 'normalization' of unemployment and disability, a 'soft' and passive welfare state and, recently, increasing skill shortages. In general this amounts to the fact that in both academic and policy circles an increasingly strict division or caesura between 'system' and 'real world' has been pursued. There is insufficient appreciation of the fact that these two worlds of the formal and the informal are each other's correlate. They belong together like the two sides of a coin: no informal labour system would be possible without a restrictive formulation of the formal system, no 'moral' cultivation of voluntary work would be possible without an equally 'moral' cultivation of the notion of efficiency in the formal labour system.

The policy options outlined below depart from the conceptual model of the caesura and the mutual safeguarding of the economic and the social. This is not to suggest that the 'old' question is incorrect but that at most the question might no longer be opportune in the light of present developments and possibilities. And because the question has changed the answers also need to change. Instead of the 'conservative' question as to how the waves of strict economic rationality can best be pushed back, this report poses an inherently different question: "Why should it be that aspects of social or substantial rationality - i.e. the 'real world' - have so little penetrated the economic rationality of the 'system'?" Why, in other words, are there still so few facilities for child care, for flexible retirement and recurrent employment (including leave arrangements for parenthood and care of relatives as well as schemes and facilities for recurrent education)? In the light of the restructuring of the economy over the past few decades, does not the development of the 'system' provide at once greater room and greater need for such changes? And, on the other hand, does not the on-going process of individualization create an unprecedented need for arrangements to link up life and work in non-traditional ways?

This inverted question forms the background to the policy options discussed below. In turn, this approach leads to a transformed vision of socio-economic policy. Central concerns in this vision are the desirability of higher labour force participation and the premise that the social matrix does not have to be exclusively 'protected' against the economic process. On the contrary: in terms of a more positive attitude towards the role of employment in social life, the emphasis should instead be placed on the adaptation of the economic process so as to enable participation in the labour force for many more men and women. In this way the achievements of the welfare state can be brought into line with current economic and social circumstances.

### 4.3 Wage costs and labour force participation

Average wage costs in the Netherlands are high by international standards and indeed exceed those in any other EC country. This is coupled with a comparatively small spread in wage costs. This is connected with the fact

that the minimum wage and the linked social security minimum for a multi-person household are higher than that in neighbouring countries. Surveys show that wage restraint promotes higher employment. This effect becomes more pronounced given supplementary policies in the form of an active labour market policy to ensure that the potential for employment growth is exploited to the full.

Sensitivity to the level of wages varies markedly between companies and industries. If only for this reason the trend towards ever decreasing wage-cost differentiation between companies and industries needs to be reversed. This would be possible if collective labour agreements were to provide greater freedom for conditions of employment to be tailored to the requirements of individual firms.

The statutory minimum wage and linked social security benefits limit the potential for wage-cost differentiation at the bottom of the wage structure. In addition the minimum wage in a sense sets a bottom limit for employees' productivity. In the case of returners, out-of-date qualifications and a lack of work experience can convert the hurdle created by the present minimum wage into an insurmountable barrier. A reduction in the minimum wage would not just pave the way for weak groups in the labour market but would also create the possibility for labour-intensive activities that have at present priced themselves out of the market on account of the existing minimum-wage regime to be (re-)instated in the formal labour process. Finally, such a measure could also be expected to have a positive effect on the volume of employment. In particular, this will depend on the question as to whether collective labour agreements incorporate new wage-scales commencing at the reduced minimum wage and whether companies and institutions make use of that room to create new jobs (e.g. work experience placements or by splitting jobs into new and simpler ones).

The contracting parties in a collective labour agreement are able to request the Minister of Social Affairs and Employment to make that agreement binding on the relative industry. In that case the agreement is also extended to companies within the industry that were not represented as such in the negotiations. In order to prevent the effect of a reduction in the minimum wage being nullified by collective labour agreements, the Minister could give consideration to withholding universal application in the case of provisions in collective labour agreements that set the lowest wage so far above the minimum wage as to damage the prospects for employment of unskilled and semi-skilled persons in that industry.

The introduction of the minimum wage was designed to reflect the minimum requirements of a family with two children. The facts indicate that this criterion has lost relevance. The notion of the traditional breadwinner required to maintain his family on a minimum wage is outdated; only 0.4 per cent of all employees fit this picture. One policy option would be to remove this breadwinner element from the minimum wage. Moreover, the prospect of a higher labour force participation rate would further undermine the breadwinner's function of the minimum wage. This process has in significant measure been fed by the movement towards

women's liberation and the greater economic self-reliance of women. For the government, this has provided ground for introducing a measure designed to promote the economic independence of young women. The '1990s regulation', as it is known, relates to the cohort turning 18 in 1990. For this so-called 1990 generation both partners in a couple are now deemed independently to earn an income. These developments call for facilities in the field of child-care, parenthood and family-care leave and the separate taxation of couples. These proposals are discussed elsewhere in this report. Consistent with these changes would be a minimum wage based on individual needs.

In the case of the 1990 generation this policy option could include a minimum wage geared to the present minimum requirements of a single householder, namely 70 per cent of the social minimum for a family. In the case of older cohorts, freezing the minimum wage would in due course achieve a similar relative reduction in the minimum wage. Such a policy would seek to ensure that the purchasing power of individual employees is not undermined, irrespective of the generation to which they belong. This could be achieved by decoupling the minimum wage from the social minimum. By means of the introduction of a partner-benefit, analogous to the national assistance regulations for the 1990 generation, it would be possible to maintain the relative living standards associated with both the minimum wage and minimum level of benefits. In particular, this approach would provide an indication for reviewing the minimum wage. A number of points will require further research and more detailed elaboration. Finally, this strategy would mean that after a certain period, wage-cost subsidies, such as those granted under the Minimum Wage-Costs Subsidy Act (WLOM) will become redundant.

#### 4.4 An active labour market policy

An active labour market policy can contribute to higher labour force participation in various ways. It can provide the unemployed and women reentering the labour market with ways of facilitating (re-)entry into the labour process. A preventive labour-market policy directed towards the employed can help prevent new unemployment, while (other) qualitative discrepancies in the labour market can also be countered.

An active labour market policy has four characteristics. In the first place it seeks to promote labour mobility. Secondly, it aims to encourage the unemployed to take active stock of their employment prospects. In the absence of job prospects, participation in training or a work experience placement should form an automatic means of obtaining (new or further) qualifications for the labour market. In this respect counselling of long-term unemployed can play an important role, provided it is adequately set up. Until now this counselling only consists of one or sometimes two discussions in the future prospects of long-term unemployed; in these discussions hardly any prospects are offered.

Thirdly it is characterized by a tripartite responsibility for the organization, financing and structure of labour market. A fourth characteristic is a simple, consistent and effective set of instruments that does justice to the heterogeneity of the labour system. Now, the Dutch manpower policy consists of too many, partly inconsistent measures. In view of new developments and policy directions, the recommendations for an active labour market policy contained in earlier WRR reports may be supplemented as follows.

The current policy, which sets out to provide comprehensive measures for young people, should be introduced as quickly as possible and supplemented by comprehensive measures for the unemployed aged over 27. It would be advisable for the guarantee element to be less emphasized for the latter category. The essence of such an approach should be to introduce sufficient labour market provisions to enable the unemployed and female returners to re-enter the labour system. In this respect work experience placements are indispensable, not just in the public but also and especially in the private sector. The additional value of the tripartite execution of labour market policy will need to prove itself in the realization of work experience placements. In view of the practice of mediation for the long-term unemployed and female returners, the realization of work experience placements should be accorded priority over the introduction of job pools, which should be regarded as a last resort.

Now that it has become increasingly possible to provide the unemployed with opportunities for suitable work, suitable training or suitable work experience, the path has been cleared for an active sanctions policy under the system of social security. In this context, the concept of suitable work should be broadened. The extent to which the operative restrictions with respect to level of education and/or employment history should be adapted needs to be examined. In addition it still needs to be examined whether legislative amendments are required in the light of the jurisprudence handed down to date. Furthermore, the permitted percentage reductions should be increased to (say) 25 per cent of the net benefit. An active policy of sanctions should be designed to ensure that the unemployed no longer compare a prospective wage with their benefit but with a substantially reduced benefit.

It would be desirable to make earnings from employment more attractive from a tax viewpoint in relation to social security benefits by increasing the tax allowance for labour incomes. Such tax relief for employed persons could be coupled to higher taxation in the form of an upward adjustment of certain tax rates or a compression of wage and income tax brackets.

Training should be organized along market lines. This could be done by institutionalizing local training markets. The supply side includes private and semi-public training institutions (including the in-house training courses provided by companies and institutions), while the demand side covers employment exchanges and joint ventures between employment exchanges and the municipal social services, as well as companies and institutions. This recommendation would entail placing the Centres for (Administrative) Vocational Training on an independent footing. Institutions for basic

education and the Centres for Occupational Orientation and Training (CBB) should be given the opportunity to benefit from local training markets, without being brought entirely under this regime.

Employment exchanges and joint ventures between employment exchanges and the municipal social services should be the first institutions to which the unemployed turn in the public sector for employment assistance. The municipalities and provincial governments should transfer their activities in this field, plus the available funding, in their entirety to the Regional Offices Employment Exchanges (RBAs). Under the National Assistance Act, the municipalities should facilitate employment on the part of single parents by helping to meet specific costs, such as those of child care and earnings-related costs, as to enable single parents to earn (again) an independent living.

Flexibility is important for company competitiveness. From the viewpoint of the supply side of the labour market, some flexible contracts of employment, as well as more flexible shopping, working and school hours, would make it easier for employment to be fitted into people's individual circumstances. As the labour force participation increases this is becoming more important.

#### 4.5 Recurrent employment

In the first place, recurrent employment concerns regulations to promote regular training as an integral element in individuals' employment careers. In addition it concerns arrangements tailored to individuals' private circumstances whereby they can obtain leave from employment for such purposes as parental leave and family care. Recurrent employment is important for the scale of employment and also for the quality of work and job satisfaction.

There would be a good case for introducing a coherent and lasting system of vocationally-oriented recurrent education in the 1990s for the employed and those seeking work. In particular, this will need to be achieved through the collective bargaining process. In the Dutch situation, such a system would in due course need to comprise at least three elements.

In the first place those lacking even basic qualifications should be provided with the opportunity of obtaining them, in the form of an individual entitlement. The ability to obtain a basic qualification, comparable to junior vocational/lower general secondary education, should be an alternative open to individual employees. The unemployed and female returners should have an entitlement to obtain an apprenticeship contract.

The second element is for unemployed persons and female returners who already have a basic qualification or who are seeking some other form of qualification to be provided with opportunities to participate in vocationally-oriented training courses. An active labour market policy would also be desirable for disability beneficiaries, in so far as they are capable of employment. Training specially developed for the handicapped would provide a vital element.

A third element would be to provide facilities for all or a substantial proportion of employees at one or more points in their careers to take a certain amount of time off for further or transitional vocational training without loss of pay and/or their job. Individual entitlements on this score could be built into the collective bargaining process.

The underlying motivation for the proposed system of vocationally-oriented recurrent education is the rapid obsolescence of knowledge and expertise on account of technical, scientific and economic developments, the importance of training as an instrument to combat unemployment, improvements in the quality of work, the promotion of equal educational opportunities and the improved distribution of educational funds. In addition there would be a (modest) contribution to employment in so far as the vacancies created under such a system were filled.

An expansion of the Private Industry Employees Training Subsidy Scheme with a view to meeting the start-up costs of organizing training on an industry and branch basis could make an important contribution towards setting up a training infrastructure in the various industries and branches of the Dutch economy. In this respect it would be desirable for those industries and branches to draw up a plan of action. The progress and results of vocationally-oriented recurrent education should be monitored at central level, for example by the Social and Economic Council or the Central Office for Employment Exchanges (CBA).

If so desired, in the future a statutory measure could be introduced to round out the vocationally-oriented recurrent education as provided for under collective bargaining. The additional advantage of a statutory regulation in relation to collective labour agreements would be that it could also extend to non-collective bargaining areas and to those companies and institutions not covered by collective labour agreements with respect to vocationally-oriented recurrent education. A statutory regulation could also help reduce the susceptibility of vocationally-oriented recurrent education to variations in the level of economic activity - a danger which past experience shows is far from imaginary.

Women frequently interrupt their careers to care for young children. Their skills and professional experience become dated, and returning to the labour system is often a major problem. Maternity leave can facilitate the combination of paid employment and caring for young children and help prevent return to the labour force from being a problem in the future. In this way it contributes to the labour force participation of women and, to the extent that those taking leave are replaced, can also increase the demand for labour. The Council intends to investigate whether paid maternity leave, as a supplement to statutory unpaid maternity leave, could contribute to labour force participation.

In addition to parental leave, it is important for parents to be able to take time off work if children suddenly fall ill. Schools provide no such facilities and leaving sick children in a day-care centre creates problems. Family-care leave would be a suitable subject for inclusion in collective bargaining.

Employees could also be given a choice between days off in lieu of shorter working hours and an entitlement to family-care leave when the need arises. This would be particularly important for part-time and full-time workers lacking any entitlement to days off in lieu of shorter working hours.

#### 4.6

#### Women

Both the social security and the income tax regulations provide a built-in protection for breadwinner households. These facilities enable partners - in practice women - to withdraw from the labour market without undue effect on their income. The obverse of this situation is that (re-)entering the labour market can also have only a minor effect on income; in addition to the normal marginal pressures of taxation and social security contributions, the loss of breadwinner allowances means that the first income in the household becomes more highly taxed. Participation by women in the labour force is also hampered by the lack of facilities to combine parenthood and paid employment.

Fewer than 2 per cent of 0-4 year-olds are looked after in day-care centres in the Netherlands. The lack of child care facilities and after-school facilities probably forms the chief obstacle to employment for women with children. Upon the simplification of the taxation system in January 1990, the deductibility of child-care costs was converted into direct support for child-care under the Temporary Child Care Subsidy Scheme. This measure resolved the long-standing debate about the choice between tax concessions for working parents versus government support for child care in favour of the latter. A more rapid expansion of child-care facilities than that planned under the Temporary Child Care Subsidy Scheme (up to 1992) would not appear possible as it will run into accommodation and staffing constraints. A continuing expansion of child-care facilities will be required after 1992 in order to encourage greater numbers of women to participate in the labour market. Allowing for an annual increase in the labour force participation of women of 1.5 per cent, the increase in child-care facilities will need to average at least 3-4 per cent. With respect to the distribution of the funding, the best system would be a national child-care fund that would be able to provide matching subsidies to municipalities, companies and institutions taking measures in this field.

Various surveys have revealed the existence of major variations in western countries with respect to both the labour force participation of women and the taxation burden on the second income in a household. In general a high female participation rate is associated with a friendly taxation regime for dependent partners. In international terms, the Dutch system of wage and income taxation remains one of the more 'partner-unfriendly' systems, even though it has been gradually individualized in recent decades. The individualization of wage and income taxation has been associated with an increase in the labour force participation of women. One of the few breadwinner facilities to have survived in the taxation system is the transferrable personal tax allowance. A single-earner's tax-free allowance is twice as high as that when both partners work. This means that taxation is levied on a partner's income from the very first guilder. This has a

particularly marked effect in the case of minor part-time jobs. One option would be to abolish the system of the transferrable personal tax allowance with a view to encouraging employment on the part of dependent partners. This would, moreover, do justice to those households in which there is no tax-advantaged partner.

On account of the consequences for the distribution of income, it would not be desirable to abolish the transferrable personal tax allowance at a stroke. The resultant higher taxation receipts of around 4 billion guilders do, however, provide room for compensation. That compensation could be offered to single earners with children by means of child benefit and child-care facilities. Single persons and two-income families without children would not suffer any direct financial consequences, while two-income families with children and single parents would benefit from the compensation arrangements.

The policy option as outlined above would financially penalize single earners without children. To prevent this group from being confronted with an excessive drop in income - at the lowest level this would be around 8 per cent - the transferrable element of the basic allowance could be gradually reduced to zero over a period of ten years. For many, the drop in incomes would be offset by the general increase in real wages, while dependent partners would also have time to make offsetting arrangements in the labour market, for example by means of a (part-time) job - which would, moreover, come under a more attractive tax regime.

One of the main means of compensating for the abolition of the transferrable personal tax allowance would be an increase in child benefit. Child benefit then is designed to cover material expenditure on children plus an element of maintenance costs. At present child benefit rises with the age of the child and the position of the child within the family. Because the economies of scale of having a large number of children are greater when it comes to maintenance costs than material costs, the existing differentiation in child benefit could be reduced, so that the falling scale of reimbursement for maintenance costs would offset the rising pattern of reimbursement for material expenditure. This approach would also remove the justification for the existing differentiation according to age. Whereas the material costs for children rise with age, the maintenance costs decline. In this way the child benefit for the first up to and including the seventh child could be equalized at a level above the current benefit for the fifth child. This increase in child benefit would almost compensate the income loss from the abolition of the transferrable personal tax allowance. For single-earner families with income below average, and respectively one, two, or more children, the compensation is 75 per cent, 100 per cent, and more than 100 per cent respectively. For higher income households, the income effects are slightly more negative.

On account of the linkage of social security benefits to the minimum wage of a single earner (the net-net linkage), the abolition of the transferrable personal tax allowance could have unintended side-effects for the minimum benefits. In order to prevent the latter from being reduced, consideration

could be given to amending the linkage system. The social minimum could for example be linked to the income of a two-income household in which both partners earn half the minimum wage. This new reference point for the social minimum would, however, mean that households in which only one minimum wage was being earned would qualify for the aforementioned 'partner benefit'. That group is not large, being somewhere between 13,000 (the number of employees maintaining a partner on a wage no more than 5 per cent above the minimum; 1985 figures) and 50,000 (i.e. single-earner households without children at the minimum level, including minimum wage-earners and benefit claimants; 1987 figures). A point for consideration in this revised structure would be the relative position in relation to recipients of an income just above the minimum wage.

Provisional calculations by the Central Planning Office indicate that the abolition of the transferrable personal tax allowance could increase the female supply of labour by around 100,000. This would apply primarily to part-time jobs. The effect of increasing child benefit has not been taken into account. The proposed increase in child benefit would cost around 3 billion guilders, or some 75 per cent of the financial room created by the progressive abolition of the transferrable personal tax allowance. This measure would not, therefore, have any adverse effect on the government's budget, although an adjustment would be required for the tax and social security contributions norm.

Others (Emancipation Council, Federation of Netherlands Trade Unions) proposed to use the abolition of the transferrable personal tax allowance to finance social security benefits for dependent partners who are available for paid employment. The budgetary consequences of doing so are, however, uncertain, while it is doubtful whether it would have a marked effect on the (net) labour force participation of women. The existing problem of abuse and improper use could be exacerbated if dependent partners obtained an independent entitlement to benefit payments. These problems would not arise with the proposed increase in child benefit.

Women should not be a target group under legislation to promote employment opportunities proposed in a different context (namely to assist immigrants and the disabled, see section 4.8). Although there are cogent reasons for introducing such legislation (which was inspired by the Canadian Employment Equity Act), the counter arguments are decisive. In particular, an excessive number of target groups would weaken the effectiveness of such an act, while satisfactory numbers of women are already entering the labour system without any such legislation.

#### 4.7 The elderly

Since the early 1970s, the labour force participation of the elderly - especially males - in the Netherlands has steadily fallen. Many elderly people have left the labour system, either voluntarily or involuntarily, under disability, pre-retirement or unemployment schemes. The arguments noted above in favour of higher labour force participation also relate to the labour force participation of the elderly. The participation of the elderly can be

promoted by the removal of institutional obstacles. To some extent such opportunities would not be made use of for some time, but others could be taken up in the short term.

In the long term a structure should become normal in which it is customary for the elderly to remain in paid employment up to the age of 65. There should be provision for the elderly to complete their working careers in part-time employment or to take up a second career, where appropriate part-time. Those who wished should also be permitted to continue working beyond the age of 65.

Preventing a loss in pension rights upon switching to a different employer is a significant factor in promoting the external labour mobility of the elderly. The downward mobility of the elderly in their present employment can also be a problem. In line with the practice of the Public Servants Superannuation Fund (ABP), pension funds could introduce 'stepdown' arrangements to permit downward mobility (i.e. demotion) on the part of the elderly without a significant loss of pension. It needs to be examined whether this would be sufficient with respects to age-conscious personnel policies or whether it would be preferable for the present final-pay clause in the pension system to be replaced in due course with an average-pay clause based on the indexation of accumulated pension entitlements. In addition the possibility of introducing flexible pension arrangements certainly deserves further study. This would include the possibility of deferred retirement, i.e. retirement after the age of 65.

In the short term it would be desirable for employees and employers, including the central and local governments, to create the possibility of not just full-time but also part-time pre-retirement schemes (VUT). This would significantly extend the options for employers and employees, apart from which it would have a positive effect on labour force participation. In addition the Council intends to examine which labour law obstacles impede paid employment at higher ages and how these might be overcome. In the first place this would concern 65 as the automatic age for dismissal. The continuing labour force participation of the over-65s would also raise questions in relation to entitlements and obligations in connection with employees' and national insurances. Finally the labour force participation of the elderly would benefit from an age-conscious personnel policy in companies and institutions and the aforementioned vocationally-oriented recurrent education for the employed and job-seekers. In the short term, an age-conscious personnel policy could build on the possibility in existing pension schemes of 'step down' arrangements without significant loss of pension.

#### 4.8 Disability beneficiaries

Compared with other countries the Netherlands has a high rate of sickness absenteeism and a relatively large number of disability beneficiaries. Over the past ten years, the ratio of disabled persons to the total insured population has been nearly double of that in West Germany and roughly three times as high as that in Belgium. This is one factor behind the low

labour force participation. The number of disability beneficiaries is growing steadily and threatens to reach the one million mark around 1993. Most of these have been assessed as fully disabled.

One of the reasons for the high level of disability is that both the Sickness Benefits Act (ZW) and the disability schemes (AAW and WAO) are generous in comparison with neighbouring countries and, in combination, provide a comparatively attractive route of exit from the labour force. The Disability Insurance Act (WAO, 1967) provides wage-related benefits up to a certain maximum. The General Disability Benefits Act (AAW, 1976) provides a national insurance for disability at a minimum level. Among other things the AAW was introduced for the self-employed and those handicapped at an early age. Disabled employees generally receive a combined WAO/AAW benefit.

Disability in the Netherlands has currently reached a scale that makes it imperative to take measures in the very near future to stabilize or reduce the volume of AAW and WAO benefits. Failing this there will be little alternative but to reduce the benefit levels for new claimants radically and to limit existing benefit entitlements. These considerations call for a policy addressing the various stages in the process in which people qualify for benefits under the disability schemes. In this respect a distinction may be drawn between preventive policy, aimed at reducing the inflow under the AAW and WAO, and curative policy, aimed at enlarging the outflow from these schemes. The former may be further separated into primary preventive policy, aimed at reducing long-term dependence on sickness benefits, and a policy of secondary prevention, aimed at reducing the number of people passing on from long-term dependence on sickness benefits to the Disability Insurance scheme (WAO).

An analysis of the disability problem indicates that only a coherent package of policy measures can achieve the desired effect; isolated measures will not be sufficient. In addition the cultural climate surrounding the disability regulations will need to change. The following policy options, many of which, in varying combinations and with various emphasis and elaborations, have been proposed by the Central Business Organizations Council (RCO), the Netherlands Federation of Trade Unions (FNV), the National Federation of Christian Trade Unions (CNV) and the parties in the autumn 1990 consultations (i.e. the government and social partners), are largely compatible with the existing system, meaning that most of these could be introduced in the comparatively short term.

In certain areas, however, legislative amendments would appear unavoidable and these will need to be prepared in good time. This applies for example to a possible change in the disability criterion in the regulations (i.e. replacement of the loss of earnings criterion by a capacity for work criterion). This will require further study and no recommendations have been made on this point in this report. In addition the Council intends to examine a number of other policy options. One of these concerns whether it would be relevant for the employment history of the individual in question to be taken into account in the granting of disability benefits, as is the case in various other EC countries.

In the light of experience in other countries, attention will also be devoted to the structure and implementation of the disability regulations in a general sense. This will also include a consideration of the pros and cons of the social security administration proposed by the Social and Economic Council (SER) in 1990 and of a number of more specific matters.

Prevention is always better than cure. There are a number of possibilities for preventing employees from drawing benefits under the Sickness Benefits Act, which forms the precursor to the receipt of disability benefits under the WAO.

Among other things the quality of work can be improved by stricter implementation of the Working Conditions Act. The Factory Inspectorate could enforce the Factories Act among companies and institutions with a high level of sickness absenteeism more rigorously. Under the Employment for Handicapped Workers Act (WAGW), the Inspectorate could lay down conditions for employers with respect to the layout and arrangement of workplaces for partially disabled employees. It may be that the Inspectorate would need more staff for these purposes. In addition a good social policy, with attention to older employees and training, is important. The same applies to industrial medical services. For the present, collective labour agreements provide the most effective means of introducing such services in companies with fewer than 500 employees.

Differentiation of the Sickness Benefit contributions per company could provide a significant financial incentive for reducing the use made of this Act. If this were done, it would mean taking into account all cases of sickness in setting the level of contributions. In addition the implications and effects need to be investigated of making employers pay in its entirety for the first few weeks of sickness absenteeism. In principle, an own-risk element for employees could also be introduced under the Sickness Benefits Act. Instead of discouragement in the form of extra qualifying days or a lower Sickness benefit rate, it would also be possible to grant a number of extra days off to employees with little if any sickness absenteeism over the course of a year. Companies and institutions would also benefit from tightening the sickness notification procedures. For preference, notification should be made to an employee's immediate superior. Industrial medical services should play a more active supervisory and initiating role. A requirement could be introduced for a medical certificate from an employee's general practitioner stating the reason for sickness absenteeism, for submission to the employer and industrial medical service and the medical service of the industrial insurance board. The necessary costs could be regulated under collective labour agreements.

The handicapped should be designated as a target group under an act to promote employment opportunities; this would create greater openness concerning the policy of companies and institutions with respect to the employment of handicapped workers. Such an act would provide opportunities for consultation and for influencing existing personnel policies of companies and institutions. It would also provide an alternative to the quota provisions under the Employment for Handicapped Workers Act.

Secondary prevention policy is aimed at countering the apparently automatic transition from long-term sickness absenteeism to employment disability. A number of measures could be introduced. After an employee had been in receipt of sickness benefits for six weeks, steps should be taken to reintegrate the employee into his original employment. Company doctors and industrial medical services could play an important part in this respect. After three months there should be a requirement for compulsory talks between the employer and the sick employee, in consultation with the industrial insurance board medical doctor and the industrial medical service, about a return to work. A return-to-work plan should also provide for the possibility of reintegration into other suitable work. Employees who cooperate in such a reintegration plan, by which the original contract of employment remains in force, should, in the event of full recovery or if the reintegration fails for reasons beyond their control, be given the right for a certain period to return to their original job. This right of return could then replace the protection against dismissal which sick employees generally enjoy for a two-year period. In addition it would be desirable for all 'sixth-month Sickness Benefits cases' to be referred to the Joint Medical Service (GMD), whose responsibilities include disability assessment, so that a start could be made at an early stage (in collaboration with the employment exchange and the industrial insurance boards) on investigating the possibilities for reintegration with the same or a different employer. In addition the communication between the medical professions needs to be improved and the medical supervision by medical insurance officers and industrial insurance boards to be strengthened.

It would appear possible permanently to reduce the future inflow of benefit claimants under the disability regulations if the disability criterion were to be amended in the sense of replacing the loss of earnings criterion by a capacity for work criterion. The intended result would be that employees would only be accorded partial or full disability status if, on the basis of medical and occupational criteria, they are not or no longer fully capable of performing 'suitable' paid work. Earnings capacity - i.e. the level of pay theoretically earnable with the remaining work capacity, expressed as a percentage of previous pay - would no longer determine the degree of disability. Medical and occupational criteria would be the sole factors.

For the introduction of a capacity for work criterion to have the desired effect the concept of suitable work would need to be extended. This would still be feasible and desirable even if it were not decided to introduce a capacity for work criterion. It would need to be examined whether an extension of the definition of suitable work would also require a legislative amendment.

In connection with the introduction of a capacity for work criterion, the number of disability categories under the WAO and AAW could be reduced from seven and six respectively to (say) two. This would then mean that people were either partly incapacitated, and would receive a partial benefit, or totally incapacitated, in which case they would receive a full benefit.

Disability benefits (including those under the existing statutory regime) should to begin with be paid on a temporary basis. It should then be

assessed whether and, if so, to what extent, different work can be performed. By means of an active labour market policy, recipients of temporary benefits should be given the maximum opportunity to enter or re-enter the labour system, where appropriate with their former employer and in their old job/former profession.

In addition a more critical implementation of the General Disability Benefits Act and the Disability Insurance Act is required, especially with a view to the category of hard to define complaints. Among other things a second medical opinion could be introduced. The proposed bonus/malus regulation can encourage employers to shed fewer workers via the disability regulations and to employ greater numbers of handicapped workers.

The introduction is required of an active labour market policy aimed at all disability beneficiaries deemed capable of normal or where necessary adapted employment. The arrangements should also extend to the prolonged sick. The present labour market conditions provide special opportunities for obtaining results with a curative policy. In line with the policies for the long-term unemployed, counselling can form an important element in an active policy. In the light of the available medical and occupational advice, such consultations need to examine each person's employment potential. Facilities should also be provided to create opportunities for entry/re-entry into the labour system. An active policy naturally stands or falls with the ability to provide adequate labour market facilities, especially in relation to training and work experience. Even more than in the case of the long-term unemployed and female returners, individualized arrangements are needed for the handicapped.

Organizationally, an active policy could best be implemented by means of cooperative arrangements between industrial insurance boards, the Joint Medical Services and the Regional Offices for Employment Exchanges (RBAs). Such arrangements would differ from the existing cooperative arrangements between employment exchanges and the municipal social services, the main difference being the input of the Joint Medical Services.

As in the case of labour market policy in general, the set of instruments should be subject to the requirements of simplicity and consistency.

Sheltered employment is in part an instrument of social security, in the sense that it makes provision for individuals who would otherwise have no prospects of paid employment, and partly an instrument of labour market policy, with the object of moving on to 'normal' employment from sheltered employment. In practice, this goal is rarely achieved. Given the existing waiting lists, employees under the Sheltered Employment Act (WSW) should also qualify for the active measures noted above.

#### 4.9

#### Conclusion

The achievement of higher labour force participation during the course of this decade would be desirable on a number of grounds. Leaving aside calamities, the 1990s provide opportunities in that direction. On the one hand there is a potential supply of labour waiting to be tapped, while on the other a continuing rise in employment appears feasible.

**It is up to central and local government, employers associations and unions to implement the kinds of participation policies outlined in this report. In this respect a large number of policy options have been put forward.**

## The Council has published the following Reports to the Government

### First term of office

- 1 Europese Unie (European Union), 1974.
- 2 Structuur van de Nederlandse economie (Structure of the Netherlands Economy), 1974.
- 3 Energiebeleid op langere termijn (Long-term Energy Policy), 1974. Reports 1 to 3 are published in one volume.
- 4 Milieubeleid (Environment Policy), 1974.
- 5 Bevolkingsprognoses (Population Forecasis), 1974.
- 6 De organisatie van het openbaar bestuur (The Organization of Publics Administration), 1975.
- 7 Buitenlandse invloeden op Nederland: Internationale migratie (Foreign Influence on the Netherlands: International Migration), 1976.
- 8 Buitenlandse invloeden op Nederland: Beschikbaarheid van wetenschappelijke en technische kennis (Foreign Influence on the Netherlands: Availability of Scientific and Technical Knowledge), 1976.
- 9 Commentaar op de Discussienota Sectorraden Wetenschapsbeleid (Comments on the discussion Paper on Sectoral Council of Science Policy), 1976.
- 10 Commentaar op de nota Contouren van een toekomstig onderwijsbestel (Comments on the White Paper on the Contours of the Future Education System), 1976.
- 11 Overzicht externe adviesorganen van de centrale overheid (Survey of external Advisory Bodies of the Central Government), 1976.
- 12 Externe adviesorganen van de centrale overheid, beschrijving, ontwikkelingen, aanbevelingen (External Advisory Bodies of the Central Government: Description, Developments, Recommendations), 1977.
- 13 'Maken wij er werk van?' Verkenningen omtrent de verhouding tussen actieven en niet-actieven 'Do we make Work our Business?' An Exploratory Study of the Relations between Economically Active and Inactive Persons), 1977.
- 14 Overzicht interne adviesorganen van de centrale overheid (Survey of Internal Advisory Bodies of the Central Government), 1977.
- 15 De komende vijftientig jaar: een toekomstverkenning voor Nederland (The Next Twenty-Five Years: a Survey of Future Developments in the Netherlands), 1977.
- 16 Over sociale ongelijkheid, een beleidsgerichte probleemverkenning (On Social Inequality: a Policy-oriented Study), 1977.

### Second term of office

- 17 Etnische minderheden – A. Rapport aan de regering; B. Naar een algemeen etnisch minderhedenbeleid? (Ethnic minorities – A. Report to the Government; B. Towards on Overall Ethnic Minorities Policy?), 1979.
- 18 Plaats en toekomst van de Nederlandse industrie (Industry in the Netherlands: its Place and Future), 1980.
- 19 Beleidsgerichte toekomstverkenning: deel I. Een poging tot uitlokking (A Policy-oriented Survey of the Future: Part I. An Attempt to Challenge), 1980.
- 20 Democratie en geweld – Probleemanalyse naar aanleiding van de gebeurtenissen in Amsterdam op 30 april 1980 (Democracy and Violence – an Analysis of Problems in Connection with the Events in Amsterdam on April 30, 1980), 1980.

- 21 Vernieuwing in het arbeidsbestel (*Prospects for Reforming the Labour System*), 1981.
- 22 Herwaardering van welzijnsbeleid (*A Reappraisal of Welfare Policy*), 1982.
- 23 Onder invloed van Duitsland. Een onderzoek naar gevoeligheid en kwetsbaarheid in de betrekkingen tussen Nederland en de Bondsrepubliek (*The German Factor; A Survey of Sensitivity and Vulnerability in the Relationship between the Netherlands and the Federal Republic*), 1982.
- 24 Samenhangend mediabeleid (*A Coherent Media Policy*), 1982.

**Third term of office**

- 25 Beleidsgerichte toekomstverkenning: deel 2; Een verruiming van perspectief (*A Policy-oriented Survey of the Future: Part 2: Towards a Broader Perspective*), 1983.
- 26 Waarborgen voor zekerheid; een nieuw stelsel van sociale zekerheid in hoofdlijnen (*Safeguarding Social Security*), 1985.
- 27 Basisvorming in het onderwijs (*Basic Education*), 1986.
- 28 De onvoltooide Europese integratie (*The Unfinished European Integration*), 1986.
- 29 Ruimte voor groei (*Scope for Growth*), 1987.
- 30 Op maat van het midden- en kleinbedrijf (*Tailoring Policy to the Needs of the Small and Medium-sized Business*), 1987.
- 31 Cultuur zonder grenzen (*Culture and Diplomacy*), 1987.
- 32 De financiering van de Europese Gemeenschap (*Financing the European Community*), 1987
- 33 Activerend arbeidsmarktbeleid (*An Active Labour Market Policy*), 1987.
- 34 Overheid en toekomstonderzoek (*Government and Future Research*), 1988

**Fourth term of office**

- 35 Rechtshandhaving (*Maintenance of the Law*), 1989
- 36 Alloctonenbeleid (*Immigrant Policy*), 1989
- 37 Van de stad en de rand (*Institutions and Cities; the Dutch Experience*), 1990

Reports nos. 13, 15, 17, 18, 28, 31 and 32 have been translated into English; English summaries are available of Reports nos. 16, 18, 19, 20, 25, 26, 27, 29, 30, 33, 34 and 37; Report no 23 has been translated into German.

## The Council has published the following Preliminary and background studies (in Dutch)

### First term of office

- V 1 W.A.W. van Walstijn, Kansen op onderwijs; een literatuurstudie over ongelijkheid in het Nederlandse onderwijs (Educational Opportunities: a Literature Study of Inequality in the Netherlands Educational System) (1975)
- V 2 I.J. Schoonenboom en H.M. In 't Veld-Langeveld, De emancipatie van de vrouw (Women's Emancipation) (1976)
- V 3 G.R. Muster, Van dubbeltjes en kwartjes, een literatuurstudie over ongelijkheid in de Nederlandse inkomstenverdeling (Dimes and Quarters: a Literature Study on Inequality in the Distribution of Income in the Netherlands) (1976)
- V 4 J.A.M. van Weezel a.o., De verdeling en de waardering van arbeid (The Distribution and Appreciation of Work) (1976)
- V 5 A.Ch.M. Rijnen a.o., Adviseren aan de overheid (Advising the Government) (1977)
- V 6 Verslag Eerste Raadsperiode 1972-1977 (Report on the First Term of Office) (1972-1977)\*

### Second term of office

- V 7 J.J.C. Voorhoeve, Internationale Macht en Interne Autonomie International Power and Internal Autonomy) (1978)
  - V 8 W.M. de Jong, Techniek en wetenschap als basis voor industriële innovatie – Verslag van een reeks van interviews (Technology and Science as a base for Industrial Innovation) (1978)
  - V 9 R. Gerritse, Instituut voor Onderzoek van Overheidsuitgaven: De publieke sector: ontwikkeling en waardevorming – Een vooronderzoek (The Public Sector: Development and Valuation) (1979)
  - V10 Vakgroep Planning en Beleid/Sociologisch Instituut Rijksuniversiteit Utrecht: Konsumptieverandering in maatschappelijk perspectief (Shifts in Consumption in a Social Perspective) (1979)
  - V11 R. Penninx, Naar een algemeen etnisch minderhedenbeleid? Opgenomen in rapport nr. 17 (Towards an Overall Ethnic Minorities Policy? Attached to Report nr. 17) (1979)
  - V12 De quartaire sector – Maatschappelijke behoeften en werkgelegenheid – Verslag van een werkconferentie (The Quarternary Sector: Societal Requirements and Employment Opportunities) (1979)
  - V13 W. Driehuis en P.J. van den Noord, Productie, werkgelegenheid en sectorstructuur in Nederland 1960-1985 (Output, Employment and the Structure of Production in the Netherlands, 1960-1985) Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
  - V14 S.K. Kuipers, J. Muysken, D.J. van den Berg en A.H. van Zon, Sectorstructuur en economische groei: een eenvoudig groeimodel met zes sectoren van de Nederlandse economie in de periode na de tweede wereldoorlog (The structure of Production and Economic Growth: a Simple Six-Sector Growth Model of the Dutch Economy in the Post-War Period) Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
  - V15 F. Muller, P.J.J. Lesuis en N.M. Boxhoorn, Een multisectormodel voor de Nederlandse economie in 23 bedrijfstakken (A Multi-Sector Model of the Dutch Economy Divided into 23 Branches of Industry).  
F. Muller, Veranderingen in de sectorstructuur van de Nederlandse economie 1950-1990 (Shifts in the Structure of Production in the Dutch Economy 1950-1990). Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
  - V16 A.B.T.M. van Schaik, Arbeidsplaatsen, bezettingsgraad en werkgelegenheid in dertien bedrijfstakken (Jobs, Capacity, Utilization and Employment Opportunities in Thirteen Branches of Industry) Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
  - V17 A.J. Basoski, A. Budd, A. Kalf, L.B.M. Mennes, F. Racké en J.C. Ramaer, Exportbeleid en sectorstructuurbeleid (Export Policy and Structural Policies) Pre-adviezen bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- \* Also available in English

- V18 J.J. van Duijn, M.J. Eleman, C.A. de Feyter, C. Inja, H.W. de Jong, M.L. Mogendorff en P. VerLoren van Themaat, Sectorstructuurbeleid: mogelijkheden en beperkingen (Structural Policies: Prospects and Limitations) Pre-adviezen bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V19 C.P.A. Bartels, Regio's aan het werk: ontwikkelingen in de ruimtelijke spreiding van economische activiteiten in Nederland (Putting Regions to Work: Trends in the Regional Distribution of Economic Activity in the Netherlands) Studie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V20 M.Th. Brouwer, W. Driehuis, K.A. Koekoek, J. Kol, L.B.M. Mennes, P.J. van den Noord, D. Sinke, K. Vijlbrief en J.C. van Ours, Raming van de finale bestedingen en enkele andere grootheden in Nederland in 1985 (Estimate of the Final Expenditure and some other Data in the Netherlands in 1985) Technische nota's bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
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- V22 A. Faludi, R.J. in 't Veld, I.Th.M. Snellen en P. Thoenes, Benaderingen van planning; vier preadviezen over beleidsvorming in het openbaar bestuur (Approaches to Planning) (1980)
- V23 Beleid en toekomst (Government Policy and the Future), report of a symposium on the report Beleidsgerichte toekomstverkenning deel I (Policy-Oriented Survey of the Future, Part I) (1981)
- V24 L.J. van den Bosch, G. van Enckevort, Ria Jaarsma, D.B.P. Kallen, P.N. Karstanje, K.B. Koster, Educatie en welzijn (Education and Welfare) (1981)
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- V26 J.C. van Ours, C. Molenaar, J..A.M. Heijke, De wisselwerking tussen schaarsteverhoudingen en beloningsstructuur (The interaction between Relative Scarcities and the Remuneration Structure) Background reports tot the report Vernieuwingen in het Arbeidsbestel (Prospects for Reforming the Labour System) (1982)
- V27 A.A. van Duijn, W.H.C. Kerkhoff, L.U. de Sitter, Ch.j. de Wolff, F. Sturmans, Kwaliteit van de arbeid (The Quality of Work) Background reports to the report Vernieuwingen in het Arbeidsbestel (Prospects for Reforming the Labour System) (1982)
- V28 J.G. Lambooy, P.C.M. Huigsloot en R.E. van de Landgraaf, Greep op de stad? Een institutionele visie op stedelijke ontwikkeling en de beïnvloedbaarheid daarvan (Getting Cities under Control? An Institutional Approach to Urban Development and its Controllability) (1982)
- V29 J.C. Hess, F. Wielenga, Duitsland in de Nederlandse pers – altijd een probleem? Drie dagbladen over de Bondsrepubliek 1969-1980 (Germany in the Dutch Press: Always a Problem? Reporting by three newspapers on West Germany, 1969-1980) (1982)
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- V31 W.A. Smit, G.W.M. Tiemessen, R. Geerts: Ahaus, Lingen en Kalker; Duitse nucleaire installaties en de gevolgen voor Nederland (Ahaus, Lingen and Kalkar: German Nuclear Facilities and their Implications for the Netherlands) (1983)
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\* Also available in English

- V35 H.F. Munneke e.a.: *Organen en rechtspersonen rondom de centrale overheid (Administrative Bodies on the Periphery of Central Government)*; two volumes (1983)
- V36 M.C. Brands, H.J.G. Beunders, H.H. Selier: *Denkend aan Duitsland; een essay over moderne Duitse geschiedenis en enige hoofdstukken over de Nederlands-Duitse betrekkingen in de jaren zeventig (Thinking about Germany; An Essay on Modern German History, with some Chapters on Dutch-German Relations in the Seventies)* (1983)
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- V45 J.F. Vos, P. de Koning, S. Blom: *Onderwijs op de tweesprong; over de inrichting van basisvorming in de eerste fase van het voortgezet onderwijs (The organization of the Core Curriculum in the First Stage of Secondary Education)* (1985)
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- Fourth term of office**
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- V70 C.P.A. Bartels, E.J.J. Roos: Sociaal-economische vernieuwing in grootstedelijke gebieden (Social economic Innovation in the Big Cities regions) (1990)
- V71 W.J. Dercksen (ed.): The Future of Industrial Relations in Europe; Proceedings of a Conference in honour of Prof. W. Albeda (1990)\*

\* Also available in English

**The Council commissioned a number of experts to carry out preliminary studies for the report 'A Coherent Media Policy'. The following studies were published in a separate series entitled 'Media Policy Background and Preliminary Studies' (in Dutch):**

- M 1 J.M. de Meij: Overheid en uitsingsvrijheid (The Government and Freedom of Speech) (1982)
- M 2 E.H. Hollander: Kleinschalige massacommunicatie; lokale omroepvormen in West-Europa (Small-scale Mass Communications: Local Broadcasting Forms in Western Europe) (1982)
- M 3 L.J. Heinsman/Nederlandse Omroep Stichting: De kulturele betekenis van de instroom van buitenlandse televisieprogramma's in Nederland – Een literatuurstudie (The Cultural Significance of the Inflow of Foreign Television Programmes in the Netherlands – A Survey of the Literature) (1982)
- M 4 L.P.H. Schoonderwoerd, W.P. Knulst/Sociaal en Cultureel Planbureau: Mediagebruik bij verruiming van het aanbod (Media Use and a Wider Media Range) (1982)
- M 5 N. Boerma, J.J. van Cuilenburg, E. Diemer, J.J. Oostenbrink, J. van Putten: De omroep: wet en beleid; een juridisch-politologische evaluatie van de Omroepwet (Broadcasting – Legislation and Government Policy: A Legal and Political Evaluation of the Broadcasting Act) (1982)
- M 6 Intomart B.V.: Etherpiraten in Nederland (Radio Pirates in the Netherlands) (1982)
- M 7 P.J. Kalff/Instituut voor Grafische Techniek TNO: Nieuwe technieken voor productie en distributie van dagbladen en tijdschriften (New Techniques for the Production and Distribution of Newspapers and Magazines) (1982)
- M 8 J.J. van Cuilenburg, D. McQuail: Media en pluriformiteit; een beoordeling van de stand van zaken (The Media and Diversity: An Assessment of the State of Affairs) (1982)
- M 9 K.J. Alsem, M.A. Boorman, G.J. van Helden, J.C. Hoekstra, P.S.H. Leeftang, H.H.M. Visser: De aanbodstructuur van de periodiek verschijnende pers in Nederland (The Supply Structure of Regular Press Publications in the Netherlands) (1982)
- M10 W.P. Knulst/Sociaal en Cultureel Planbureau: Mediabeleid en cultuurbeleid; Een studie over de samenhang tussen de twee beleidsvelden (Media Policy and Cultural Policy: A Study of the Interrelationship between the two Fields of Policy) (1982)
- M11 A.P. Bolle: Het gebruik van glasvezelkabel in lokale telecommunicatienetten (The Use of Fibre Optic Cable in Local Telecommunications Networks) (1982)
- M12 P. te Nuyl: Structuur en ontwikkeling van vraag en aanbod op de markt voor televisieproducties (The Structure and Development of Demand and Supply in the Market for Television Productions) (1982)
- M13 P.J.M. Wilms/Instituut voor Onderzoek van Overheidsuitgaven: Horen, zien en betalen; een inventariserende studie naar de toekomstige kosten en bekostigingen van de omroep (Listening, Viewing and Paying: An Inventory Study of the Future Cost and Funding of Broadcasting) (1982)
- M14 W.M. de Jong: Informatietechniek in beweging, consequenties en mogelijkheden voor Nederland (Information Technology in Flux: Consequences and Possibilities for the Netherlands) (1982)
- M15 J.C. van Ours: Mediaconsumptie; een analyse van het verleden, een verkenning van de toekomst (Media Consumption: An Analysis of the Past and Survey of the Future) (1982)
- M16 J.G. Stappers, A.D. Reijnders, W.A.J. Möller: De werking van massamedia; een overzicht van inzichten (The operation of Mass Media: A Survey of the State of Understanding) (1983)
- M17 F.J. Schrijver: De invoering van kabeltelevisie in Nederland (The Introduction of Cable in the Netherlands) (1983)