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Published in:
The Uses of Social Investment

DOI:
10.1093/oso/9780198790488.003.0021

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This is a pre-copyedited, author-produced version of the book chapter:

Soentken, M., F. van Hooren & D. Rice, (2017) 'The impact of social investment reforms on income and activation in the Netherlands', in Hemerijck, A. (ed.) *The Uses of Social Investment,* Oxford: Oxford University Press.

Introduction

Among the Continental welfare states, the Netherlands was the first to move into the social investment direction (Hemerijck 2002). (Nikolai, 2012; ESPN, 2015). Yet as Hemerijck (2015 and this volume) points out, social investment is not a substitute for protection, and adequate minimum income protection "buffers" are a critical precondition for an effective social investment strategy. How can we understand this multidimensional nature of social investment in a social investment vanguard state as the Netherlands? To what extent is minimum income protection as buffer guaranteed, along the development of flow arrangements, also for those people that do not have acquired paid employment? How can capacitating services support transitional labor market flows for precarious groups in society? In this chapter we assess the buffer and flow dimension of the social investment state for two typical new social risk groups which are both likely to be in a precarious income position: early school-leavers and lone parents. Early school-leavers are (by definition) low-skilled and not well prepared to find durable employment in the knowledge-based economy and typically do not have sufficient social insurance coverage. The latter also applies to lone parents, who have a high risk of welfare loss due to difficulties with reconciling work and family life.

In the first section we assess the buffer function in terms of minimum income protection for the two social risk groups by applying an ‘at-risk household-type model’. Within both risk groups, we simulate different income situations including working full-time (at minimum wage), working part-time, and being unemployed. More specifically, for each situation we calculated the net disposable income, which includes gross income from wages, social security benefits, tax credits, health care allowance, child benefits and childcare benefits, *minus* taxes, social security contributions, health insurance costs and childcare costs. Income data were gathered through archival records, governmental websites and documents of municipalities. We have chosen not to include housing costs, housing benefits and mortgage interest tax deductibility in the calculations, since there is a large dispersion of housing costs depending on geographical location as well as a large dispersion of benefits and tax deductions depending on the type of housing arrangement. The income situations are simulated for the years 1995, 2007, and 2012. The data shows that the buffer function of the welfare state for the two risk groups out of work has declined in the last decade, particularly for early school leavers. On the other hand, the buffer function, in terms of minimum income protection, for those risk groups that have acquired paid employed has significantly improved. The critical question thus becomes, how and to what extent risk groups without work are supported to (re) enter the labour market through labour market flow arrangements.

This question is answered in the second section. We assess the employment services offered by caseworkers to beneficiaries of the Dutch social assistance scheme. Here we focus on social assistance recipients because our risk groups are not likely to have acquired a sufficient work history to qualify for unemployment insurance benefits. In the Netherlands, one must have had paid work for 26 out of the preceding 36 weeks in order to qualify for three months of social insurance benefits. Furthermore, a work history of at least four years makes one eligible for one month of social insurance benefits for each working year (maximum duration: 38 months). We start by discussing the policy context in which caseworkers operate. By subsequently analysing caseworkers' choices and considerations, we reveal what happens in practice with social investment policy intentions. Are they indeed individually tailored and of good quality, i.e capacitating? Or are services more focused on increased sanctioning and work-first measures, i.e recommodifying? Information on the type of services offered is based on 21 semi-structured interviews conducted with managers and caseworkers responsible for implementing the Dutch social assistance scheme in seven municipal jobcentres in 2011 (Rice, 2014).

The Dutch social investment turn and its reversal?

After having been a passive conservative welfare state fostering low employment rates for decades, as of the early 1980s this started to change. While at first welfare state cutbacks and benefit reductions were the main policy tool, as of 1994 this was expanded to include a range of activation measures introduced by a Labour/Liberal coalition that proclaimed to pursue a 'jobs, jobs, and more jobs' strategy (Van Oorschot, 2004; Kuipers, 2006). In subsequent years, this coalition, among other things, introduced and intensified activation obligations for the long-term unemployed, it introduced job seeking requirements for lone parents receiving social assistance benefits, and it substantially lowered social assistance benefit levels for claimants aged 18 to 21. At the same time, the Labour/Liberal coalition made local governments responsible for the activation of social assistance recipients by matching the supply and demand of labour. The coalition also gave a great impulse to increase the availability of child care services for working parents.

In the 2000s, further reforms were implemented along the same lines. Social assistance eligibility requirements were further restricted; municipal responsibilities and resources to activate social assistance recipients were expanded (Borghi and Van Berkel, 2007). In 2005, a new Childcare Act reformed the Dutch childcare system. Income dependent childcare benefits became available for all working parents. For low income families the childcare benefits covered a large share of real childcare costs (Van Hooren & Becker, 2012). This new childcare act privatized the provision of childcare entirely. Parents receive childcare subsidies with which they can purchase a childcare place. Initially, the idea was that the state, employers and families would each pay for one third of total childcare costs, with employers contributing on a voluntary basis. Although the entitlement of employers' contributions was regulated in almost 90 percent of collective labour agreements, in 2007, the government nevertheless decided to make employers' contributions mandatory and secured them by imposing a levy. As a consequence, parents now get an (income dependent) childcare subsidy directly and entirely from the state.

While many of these policy changes indicated a social investment approach supported by substantial expansion of capacitating services, this expansion came to a halt in the late 2000s. Already in 2006 the budget available for local governments to finance labour reintegration services was reduced. More substantial budget cuts in active labour market policy followed in 2009 and especially after 2010, under a new centre-right government. Meanwhile, the income dependent childcare benefits were reduced especially for higher income groups. From 2004 onwards, and especially after the onset of the 2008 financial crisis, the indexation of child support was repeatedly suspended, meaning that the height of the benefit was not indexed for inflation and hence declined in real terms. For example, as a consequence of these policy changes, for a family with two children aged 10 and 14, the real value of universal child support decreased from 232 euros per month in 1995 (2012 prices) to 166 euros in 2012.

The Dutch social investment trajectory is in some ways comparable with its continental counterpart Germany (this volume). Also in Germany family policies have seen a more or less continued expansion since the late 1980s. Incremental reforms in the German male-breadwinner model laid the foundation of more transformative reforms that even passes the Dutch reforms on the social investment ladder. Noteworthy is that while the social investment turn in the Netherlands came to a standstill after the onset of the 2008 financial crisis, German social investments, particularly in child care and family policies, remained in place.

Assessing social investment buffers

As can be elicited from Table 1, the net disposable income of an unemployed early school-leaver aged 18 who has left the elderly home and depends on social assistance has decreased dramatically over the past two decades. This decrease is a direct result of the lowering of benefit levels for young social assistance claimants in 1996. This outcome is related to reforms in Dutch social assistance policy. Table 1 also shows that when working, the net disposable income of an early school leaver improved in real terms in the same period. Hence, as a result of social assistance restrictions, an early school leaver became crucially dependent on paid employment to be able to maintain an independent household.

Table 1. Net disposable income of a young single person aged 18; post-tax, post-transfer, euro per month in 2012 prices.

	Net disposable income in Euros per month			Percentage change	
	1995	**2007**	**2012**	**1995-2007**	**2007-2012**
Depending on social assistance benefits	551	141	155	-74	+10
Working 50% at minimum wage	580	613	645	+6	+5
Working 100% at minimum wage	1065	1195	1247	+12	+4

Table 2 shows that the net disposable income of a lone parent having two young children, but without work decreased by 18% in the period 1995-2007. This fall is associated with a decrease in the level of social assistance for lone parents from 90% of the level received by a couple to 70%. The increase in net income of this category between 2007 and 2012 is the consequence of the introduction of a new income dependent child allowance. Meanwhile the net income of a lone parent in paid employment increased massively between 1995 and 2007. This is the result, primarily, of the 2005 childcare act.

Table 2. Net disposable income of a lone parent with children aged 2 and 7; post-tax, post-transfer and post-childcare expenditure, euro per month in 2012 prices.

Income situation	Net disposable income in Euros per month			Percentage change	
	1995	2007	2012	1995-2007	2007-2012
100% employed at minimum wage, children attend full-time day care	667	1523	1600	+128	+5
50% employed at minimum wage, children attend half-time day care	905	978	1066	+8	+9
Dependent on social assistance benefits, children do not attend day care	1220	999	1120	-18	+12

In 1995, the cost of childcare was still higher than the income gained from working full-time at minimum wage. As a consequence, a lone parent working full-time was financially worse off than when receiving social assistance. Due to the new income-dependent childcare subsidies introduced in 2005, by 2007, this situation was turned around and a full-time working lone parent earned considerably more than a parent receiving social assistance, also after deducting childcare costs. Besides much lower net childcare costs, tax credits for working (single) parents have also positively influenced the net disposable income of working lone parents. In conclusion, the Dutch income simulations for two NSR groups suggest an increased income difference between those who manage to find paid employment and those who remain dependent on social assistance. Sharp social assistance reductions have basically forced early school leavers onto the labour market or back into education. Meanwhile, for lone parents it has become financially much more attractive to work because of cheaper childcare and beneficial tax credits. In other words, the data shows that the buffer function of the welfare state for the two risk groups out of work has declined in the last decade, particularly for early school leavers. On the other hand, the buffer function for those risk groups that have acquired paid employed has significantly improved. The critical question thus becomes, how and to what extent these risk groups without work are supported to (re) enter the labour market through labour market flow arrangements.

Assessing social investment flow arrangements

Since the mid-1990s, local governments have been responsible for managing the administration of social assistance and related activation trajectories. Local governments have both legal and financial incentives to activate benefit recipients. The national government sets criteria for the sanctioning of non-compliant benefit recipients, which local governments have to implement (Van Oorschot, 2004). At the same time, local governments receive fixed budgets for the provision of social assistance benefits and for labour market reintegration services. As a consequence, if fewer people rely on social assistance, the local government benefits financially.

In the early 2000s, municipalities were granted more possibilities and a large implementation discretion to offer also people with medical disadvantages or multiple social problems appropriate labour-market opportunities, sometimes in cooperation with health and care organizations (Kamerstukken II 2002-2003, 28 870; 2007-2008, 28 719). However, as we noted above, in the late 2000s, there have been a series of cuts in the budget available for activating services.

Hereafter we reflect on how case workers at the municipal level have dealt with both the demanding activation obligations and the more developmental approach towards 'difficult' clients in administering social assistance. At the end we discuss the impact of shrinking budgets available for activation.

Employment service provision

The first observation that emerges from the interviews is that case managers demonstrate a focus on stimulating active participation of young social assistance claimants in the labour market. Our interviews reveal that case managers have clearly tried to prioritise a capacitating approach. Our respondents indicate that when meeting a young client applying for a social assistance benefit for the first time, an individually tailored trajectory is started. This trajectory begins with assessing the claimant's capabilities and skills to engage in work, often coupled with a personality test and job profession test. According to case managers from different municipalities, the goal of the first intake is to motivate the young person to find suitable work or opt for further education instead of pushing young clients into just any kind of work. For young people already receiving social assistance benefits, sanctions are only applied when a person does not want to be available for work or education. However, the use of sanctioning (i.e. benefit cuts) is generally reconsidered when it does not contribute to the motivation of the client and when benefit cuts run the risk of further solidifying a young person's marginalization and social exclusion.

Also with regard to lone parents the priority of caseworkers is usually not to find paid work at any cost. Instead, the well-being of children is of central importance. Activation requirements are adapted and loosened when it becomes apparent that children cannot attend day-care because of health issues or personality problems. Part-time work, even if it requires a social assistance top-up, is seen as legitimate if more care for children is needed. When clients are confronted with multiple problems (especially physical or mental health issues), caseworkers even have the option to issue a 'temporary waiver' from job-search obligations. Services to lone parents are generally individually tailored. If needed, caseworkers try to organize debt counselling, home visits and contact with other institutions to help parents reconcile work and care for their children. Caseworkers also fulfil a mediating role to support the employment of single parents. For instance, if a parent cannot work more hours because children need to be picked up from school, the caseworker might arrange suitable day-care. Alternatively, several caseworkers report to be willing to consult with an employer if increasing the number of working hours would be possible. In sum, case workers report to focus on activation only where possible, by offering the needed capacitating services.

Effects of budget cuts on service provision

Dutch case workers state that their support oriented at capacitation depends on the availability of a sufficient budget. The problem they experience is that national level policy changes with the aim of promoting capacitation are often accompanied by budget cuts. The assumption behind this is that activation will lead to decreased public expenditure on benefits. Yet the practical implication experienced by caseworkers is an undermining of the means to provide capacitating support. Several respondents reported in 2011 that due to ongoing budget cuts, local benefit regimes were made stricter, such as by introducing tighter sanctions or a waiting period before the commencement of benefit payments. Another consequence of the budget cuts has been that less (or less high-quality) services were being offered to social assistance clients. For example, wage subsidies were shortened or eliminated; the introduction of part-time activation trajectories was reconsidered; and one of the seven municipalities in which interviews were conducted even stopped to grant personal reintegration budgets for which it had become renowned. Finally, many municipalities have begun to invest their service budgets primarily in clients where a return on such an investment (in the form of a job-entry) can be expected. Further research should report to what extent the focus on the most promising clients affect the job opportunities of those groups who have a considerable distance to the labour market.

To conclude, it appears that caseworkers in the municipal Dutch social assistance system generally pursue a supportive path when assisting young benefit claimants and lone mothers, focusing on capacitating employment measures that are geared towards higher qualifications and/or quality work rather than quick labour market entry. However, the interviews also show that capacitating service provision is under high cost-pressure in the Netherlands, which runs the risk of a reinforced geographic fragmentation of service quality alongside a more restrictive targeting of service measures.

Conclusion

Our research has assessed two central elements of the social investment turn; the maintenance of adequate minimum income protection as buffer and arrangements to improve labour market flow In terms of buffers, we found increasing differentiation in net income between people in paid employment and those who remain inactive. Our income simulation indicates that minimum income protection for work-poor households has declined. On the other hand, the income simulations also shows increased buffers, in terms of minimal income protection, for those risk groups who engage in paid work, especially for lone-parents with young children. In other words, when risk groups do find work they have a considerably better position nowadays than before the social investment turn. This lends some credibility to the proponents of social investment who argue that social investment policies can especially benefit the 'outsiders' by mobilizing the productive potentials of citizens (by including them in the labour market). It is indeed the case that the labour market participation of for instance single parents in the Netherlands almost doubled between 1996 and 2011 (CBS, 2013). This implies that more single parents enjoy a relatively better living standard, and hence have increased their buffers in terms of household income, since the social investment turn in the Netherlands. Our research also points at the existence of comprehensive, individually tailored and good-quality flow arrangements at the local level. The interviews reveal that capacitation of risk groups is an explicit aim of service delivery at the local level. Within the social assistance scheme, clients are offered individually tailored and integrated services and work is geared towards higher qualifications and/or quality work rather than quick labour market entry, which supports the social investment aim of enabling vulnerable groups to 'jump the trampoline'.

Yet, our interviews also suggest that capacitation was brought in jeopardy by recent budget cuts in the Netherlands. This may lead to the unfavourable situation (from a social investment perspective) that declining buffers are inadequately compensated by high quality flow arrangements to help precarious groups into paid employment. Such a condition may produce socially selective 'Mattew effects' where, in some cases, those facing fewer barriers to the labour market profit more than people who are at a relatively large distance from the labour market. Yet, this chapter also shows that these Mattew effects are a variable and not a given. Consistent with the findings of Sabel, Zeitlin and Quack (this volume), there is ample room for discretionary capacitating services at the local level. The interviews point out that initially, street-level rent-seeking has not been an issue and further devolution and decentralization of responsibilities is in principle consistent with the social investment turn. Only under the condition of tough austerity measures, case workers target measures and services especially to those groups with fewer labour market barriers. This points to a political contestation that determines the scope, character and eventually outcomes of social investment policies. Further research should therefore pay attention to the impact of politics on the implementation of social investment policies. What are the conditions under which governments are prone to implement social investment policies, and when are they more likely to retrench such arrangements? Further research should also reveal whether the Netherlands is still the continental social investment vanguard as the crisis has had adverse consequences for social investment in the area of capacitating services.

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