



# **ESPN Thematic Report on Social Investment Netherlands**

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**European Social Policy network (ESPN)**

# **ESPN Thematic Report on Social Investment**

## **Netherlands**

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## Summary

The Dutch government does not explicitly use the term 'social investment' and therefore has no explicit social investment policy approach. Nevertheless, investing in aspects of social investment has been part of Dutch social policies (long) before 2010 and after. Whether the Social Investment Package (SIP) played a role in this is unclear.

In general Dutch (social investment) policies aim to remove (financial/fiscal) barriers to expanding the number of hours worked and/or to combining work and care, including investing in early childhood education and the (quality of) childcare; investing in active labour market policies; combating child poverty and addressing problems of families and pupils at an early stage.

Since 2010, the Dutch social investment approach has been enhanced by a stronger focus on work and prevention of the take-up of care and support which contributes to people's participation in economic and social life. Since 2010, the Netherlands has invested in the quality of childcare services including early childhood education, in tackling (financial/fiscal) barriers and making work more profitable for social recipients, inactive partners and second-income earners. Also municipalities increasingly invest in professionalising their organisations and upgrading the skills of their case workers (active labour market policies) so as to be more efficient and effective.

When we look at the outcomes in terms of (perceived) child well-being, poverty levels and labour market participation, the Dutch (social investment) outcomes are relatively positive. Some outcomes however also indicate (potential) ambiguities. For instance little attention is paid to the way participation in informal care affects the development of children, especially since the uptake of day care has decreased due to budget cuts and the economic crisis. Also a strong emphasis on citizens providing informal care and voluntary work seems to be at odds with the commitment to increasing the labour participation rate of women. Furthermore, cutbacks in the budgets for re-integration and for long-term care, including youth/child care (allowances) can be perceived as undermining the social investment approach, if municipalities fail to provide effective services for which they become responsible after the current reforms and decentralisations implemented in 2015. Also, the following aspects might undermine the social investment approach and/or need to be monitored: school attendance and performance of children who need special support; decreased uptake of day care, increased uptake of informal childcare and the way it affects children's (language) development; focus on informal care and volunteer work and labour market participation of women.

The Netherlands has an elaborate minimum income scheme and poverty levels are relatively low. Climbing the socio-economic ladder depends more on one's capacity than one's background (people are not destined to remain at the same socio-economic level as their parents). Even so, groups with an increased risk of poverty are, amongst others, welfare recipients and single parents. Furthermore, a social investment approach could benefit from a stronger focus on the economic independence of women (with children), since women mainly work part-time, and the labour market participation, particularly for poorly educated women and single mothers, is low.

## 1 Assessment of overall approach to social investment

Social investment as adopted in the Social Investment Package (SIP)<sup>1</sup> signifies that social investment policies are designed to improve human capital (strengthen people's skills and capacities) and support people's participation in economic and social life. Social investment also includes preventive social policy measures that can stop disadvantage from compounding. This report reviews how social policies in the Netherlands have fulfilled the aspirations since 2010, of several key aspects of social investment set out in the SIP.

The Dutch government does not explicitly use the term 'social investment', and therefore has no explicit social investment policy approach. Nevertheless, investing in aspects such as early childhood education and childcare, family benefits and active labour market policies, have all been part of Dutch social policies long before 2010. Since 2010, government policies have strengthened their focus on work as well as on avoiding people needing to take up the care and support publicly available and to shift responsibility for care to citizens. In theory this focus enhances the social investment approach, in the sense that work and the avoidance of care and support contribute to people's participation in economic and social life. Whether the SIP played a role in this is unclear. In any case it is also a policy response to maintain financial sustainability and to the impact of the economic crisis.<sup>2</sup> However, the statement made by the government in September 2014 in its memorandum on the current public financial state, the *Miljoenennota*, is notable.<sup>3</sup> It explicitly states that having people not working and/or engaged in small part-time jobs<sup>4</sup> is a waste of talent. As far as we are aware this argument has not previously been put forward and is not mentioned in any document by the Ministry of Social Affairs and Employment.

The Netherlands has an elaborate minimum income scheme (linking activation and benefits), specialised provisions for reintegration and child and family services, and investment in combatting (child) poverty and debt assistance. In GDP percentage terms Dutch expenditure is relatively high.<sup>5</sup> The Dutch tax system is complex and includes a large number of different allowances<sup>6</sup> and income taxes to support low-income households, low-income households with income from work, households with disabled children living at home. Since 2010, work has become more profitable for social assistance recipients, inactive partners and second-income earners. Low-income households profit most from tax relief and specifically from transferable tax credits.<sup>7</sup> Social transfers reduce (growing) differences in income and the risk of poverty.<sup>8</sup>

When we look at the outcomes in terms of (perceived) child well-being, poverty levels and labour market participation, the Dutch (social investment) outcomes are relatively positive. Various research studies suggest that things are going well with most young

<sup>1</sup> The European Commission adopted the Social Investment Package on 20 February 2013.

<sup>2</sup> In the long term Dutch welfare depends strongly on the quality of the labour force and Dutch institutions in order to increase labour market participation and productivity levels. In the short term, the current high unemployment levels demand schooling, reintegration support for working, and lowering the tax burden and tax (wedge) on labour (source *Miljoenennota*, September 2014).

<sup>3</sup> Lower House, session year 2014 – 2015, 34 000, no. 1.

<sup>4</sup> Compared to the EU and OESO, the Dutch (and especially Dutch women) work relatively few hours.

<sup>5</sup> Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015), *Social Investment in Europe: A study of national policies*, Annex 3 – Selection of indicators, European Social Policy Network (ESPN). Brussels: European Commission. 1.8% of GDP spending on all social protection benefits compared to 1.5% for the EU average; 2.1% of GDP spending on social exclusion benefits (social assistance) – compared to the other countries this is considerably higher as all countries (except one) spend less than 1% ; 0.650% of GDP on active labour market expenditure.

<sup>6</sup> For instance healthcare allowance; child care allowance; housing benefit and child-related budget.

<sup>7</sup> The current government intends to adjust the system so as to make it more effective and lower the risks of increasing implementation costs and readjustments. See for example the *Miljoenennota* (2014), page 64.

<sup>8</sup> See publications of Koen Caminada, for instance: *Social Income Transfers and Poverty Alleviation in OECD Countries*, MPRA (2010), and *Inkomenshervreiding door sociale uitkeringen en belastingen: een internationale vergelijking*, in *Tijdschrift voor Openbare Financiën*, edition 45, 2013, number 3, page 111. The period studied is prior to 2010 however.

people: around 15% of young people have serious problems at any given time. For a third of these, however, the problems are so significant that there is a risk of societal drop-out and/or social dysfunction. Young people themselves rate their life as good or very good. Furthermore, compared to the European average of 28%, the Dutch share of under-age children growing up in a low-income household or materially deprived is low (17%). In addition, a study on income mobility shows that one's chances of climbing the social economic ladder depend more on one's capacity than one's background (people are not destined to remain at the same socio-economic level as their parents and therefore are not destined to poverty). Nevertheless, children who grow up in households with social benefits more often receive social benefits (either Unemployment Insurance Act (WW) Work and Income (Capacity for Work) Act (WIA) or social assistance currently known as Participation Act) themselves in adult life, especially those with low education. And children from households where both parents work are often more highly educated by the time they are 30, which increases their chances of being employed.<sup>9</sup>

Furthermore, although poverty levels in the Netherlands are relatively low, since 2010 we can see a decrease in purchasing power, along with an increase in child poverty levels and poverty and unemployment levels in general. The negative effect of the crisis in terms of social inclusion has also become apparent in terms of the growing number of households (with children) in need of debt assistance and the increasing take-up of provisions like the food bank.

All in all, Dutch policies aim to remove (financial/fiscal) barriers to expanding the number of hours worked and/or to combining work and care.<sup>10</sup> Since 2010 there have also been developments in support for early childhood development and combating child poverty,<sup>11</sup> and enhancing social investment. Judging from the multiple studies carried out (since 2008) on the social costs and benefits of investments in (municipal) policies and services in the social domain<sup>12</sup>, we conclude that alongside the importance of participation, the economic aspects of social investment are (increasingly) highlighted, as is the emphasis on efficient and effective social services.

Also noticeable are a few (potential) ambiguities in the social investment approach. For instance, in the Netherlands there is an ongoing debate on the effects of government childcare policies and (female) labour market participation. But less attention is paid to the way participation in institutionalised or how informal childcare facilities affect the development of children (especially since the uptake of day care has decreased due to Dutch government budget cuts and the economic crisis).

The current developments in the long-term care also seem ambiguous in terms of incentives to increase the labour participation of women, since it is plausible that they are the ones that will provide the informal care and voluntary work that is needed to keep the system financially sustainable. Also, major cutbacks in the budgets for re-integration and for long-term care, including youth/childcare, can be perceived as undermining the social investment approach, if municipalities fail to provide effective services, for which they became responsible after the current reforms and decentralisations implemented in 2015.<sup>13</sup> It reflects the belief that in this way, municipalities are able to provide improved tailor-made services, and are better

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<sup>9</sup> Brakel en Moonen (2013). Inkomensmobilitieit tussen generaties relatief hoog. In: Sociaaleconomische trends, April 2013, 02. And CBS (2015): Wie opgroeit in een uitkeringsgezin heeft later bovengemiddeld vaak een uitkering. In Sociaal economische trends 2015, January 2015, 1.

<sup>10</sup> Through allowances, tax-credits, maternal/parental leave schemes, childcare and child-related budgets and allowances, and flexible working rights.

<sup>11</sup> This is so that children in households with low incomes (and/or debt problems) can also participate and develop themselves fully.

<sup>12</sup> For instance these analyses have been carried out in social neighbourhood teams and 1-family, 1-plan (LPBL); Social Relief (Cebeon), support organisation for the disabled (Ernst and Young), and debt assistance and welfare policies (Regioplan).

<sup>13</sup> The reforms in labour market participation, long-term care and youth care involve the decentralisation of tasks from the central government to the municipality level. They represent a significant change in policy direction and in the allocation of resources.



equipped at an individual level to consider how to encourage individuals to continue participating in society.

To conclude, in practice it seems plausible that the facilities Dutch parents have access to (that enables them to participate in the labour market and combine care for their children) are incentives to take up work. However, this approach does not seem to be sufficient to change the Dutch 'part-time championship' or break through the cultural barriers regarding working full-time. The preferences for Dutch parents to (partly) take care of the children themselves (as opposed to full-time formal care) and consequently work part-time are still strongly set and is apparent in the take-up of leave schemes and for instance, the fact that the combination of full-time and part-time work is most common among working couples with young children. Since women mainly work part-time, and the labour market participation (particularly for poorly educated women and single mothers) is low, women are not economically independent as often as men.<sup>14</sup> A social investment approach could therefore benefit from a stronger focus on the economic independence of women (with children).

## **2 Assessment of specific policy areas and measures/instruments**

### **2.1 Support for early childhood development**

#### **2.1.1 Under aged children: households, perceived well-being and participation in education**

The Dutch Youth Monitor<sup>15</sup> reports that almost 5 million people in the Netherlands were 24 years or younger on 1 January 2014, the equivalent of three out of every ten Dutch inhabitants. The share of young people is quite stable and higher than the average in Europe. In 2014, almost half a million children (15%) were growing up in a household with one parent, mostly the mother. In 2012, 391,000 underage children lived in low-income households.<sup>16</sup> Compared to the European average of 28%, the Dutch share of underage children growing up in a low-income household or materially deprived is low (17%).

Various research studies suggest that things are going well with most young people: around 15% have serious problems at any given time and for a third of these the problems are so significant that there is a risk of societal drop-out and/or social dysfunction. This concerns young people experiencing (serious) behavioural problems, mental health issues, mental handicaps, unstable home situations, domestic violence and/or criminality. In 2013, over 97,000 children under 18 years received youth care because of problems related to growing up, parenting and behaviour. Their average age was 12 years, and just over half of them were boys.

Boys and girls themselves positively rate their life. In 2013, 92% of 0–24 year-old girls and 94% of boys in this age group rated their life as good or very good. Compared to other EU countries, this is just below average.

In the school-year 2013/2014, 1.5 million Dutch children were in primary education and 946,000 children were in secondary education. In addition, more and more pupils participate in higher levels of secondary education. The percentage of early school-leavers in the Netherlands has decreased in 2013 compared to 2009 and is below the European target. In 2013, 9.2% of all 18–24 year-olds left school without a basic

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<sup>14</sup> See SCP (2014). *Emancipatiemonitor 2014*. Even though the difference between men and women has diminished it is still significant. In 2013, 53% of women compared to 73% of men were economically independent (approx. 900 euros, 70% of minimum income).

<sup>15</sup> CBS and Ministry of Health, Welfare and Sport (2014). *Jaarrapport 2014. Landelijke Jeugdmonitor*. CBS, Heerlen. See also English summary <http://jeugdmonitor.cbs.nl/media/180632/2014-Annual-Report-Youth-Monitor-Summary.pdf>

<sup>16</sup> The last three years the number has been rising. The over-representation of children is largely the result of the high risk of poverty for single-parent families.

qualification. The percentage of school leavers differs between different levels of education and is higher in students from vulnerable households, such as low-income households and single-parent households.

Information on pupils with language disadvantages is given in the section below.

### **2.1.2 Early childhood education and care<sup>17</sup>**

The national government policy gives municipalities budgets to combat educational disadvantages. In practice this policy (including financial means) focuses on pre-school and early childhood education (VVE) of children aged 2.5 to 5, who are at risk of developing an educational disadvantage (more information is given in the appendix). Local health services determine which children belong to the target group (the criteria are set by the municipalities). The main indicator used is the parents' (low) education level. A variety of early childhood education (VVE) programmes are available, most of which are geared to helping pupils with language disadvantage. They also target the child's socio-emotional, cognitive and motor development. Since 2009/2010, the number of children with educational disadvantages in primary schools has dropped by nearly 46,000, which is in line with the increasing level of education of the Dutch population. In the school year 2013/2014 one out of ten pupils attending standard primary school belonged to the group with educational disadvantages. The four largest cities in the Netherlands account for a quarter of all pupils with special needs. This relates to a higher concentration of those with a migrant background from outside Western.<sup>18</sup>

While overall expenditure costs on childcare declined in 2012 and 2013 (see Section 2.2 for more information), compared to 2012, the 2013 and 2014 budgets for early childhood education were increased by €1 million to approximately €361 million. Municipalities are free to add extra funding. The 37 largest municipalities receive extra funding to enhance the quality of the service provided and to enable better access to the target group. The main indicator used is the parents' education level. Municipalities define their own target groups. The number of children in the 37 largest municipalities attending VVE increased from 35,817 in 2011 to 42,842 in 2014, which exceeds the target set for 2015 (42,805).<sup>19</sup>

At the end of August 2013, the Education Inspectorate published a very critical and detailed study on the quality of VVE services. It concluded that the quality was inadequate at half the locations researched. Since then the government has invested in harmonising the quality of playgroups and pre-school education and its staff.<sup>20</sup> An evaluation of the 'Wet OKE' (see appendix) is currently underway, as is research on municipal budget spending to combat educational disadvantages (which will provide information on how these policies perform). It is expected that the Lower House will be updated in the first half of 2015.

### **2.1.3 Family benefits (cash and in-kind)**

A publication prepared for European Commission's Directorate-General for Employment, Social Affairs and Inclusion<sup>21</sup> reports that in the Netherlands, the allocation of public spending on family benefits as a percentage of GDP declined between 2007/08 and 2011/12. Bouget et al. (2015)<sup>22</sup> also show that Dutch

<sup>17</sup> Information on standard child care is given in paragraph 2.2.

<sup>18</sup> CBS and Ministry of Health, Welfare and Sport (2014). *Jaarrapport 2014. Landelijke Jeugdmonitor*. CBS, Heerlen.

<sup>19</sup> Ministry of Education, Culture and Science (OCW), *Voortgang bestuursafspraken G37 en afsluiten convenant vve*, brief aan Tweede Kamer (referentie 687531), 24 november 2014.

<sup>20</sup> More information can be found at <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2014/06/17/kamerbrief-over-een-betere-basis-voor-peuters.html>

<sup>21</sup> Janta, B., Henham M. (2014). Social protection during the economic crisis. How do changes to benefits systems affect children? Rand Organisation.

<sup>22</sup> Bouget et al. (2015), Annex 3, Table A2.

expenditure is relatively low. Although high spending might result in low overall poverty rates, this is not directly visible in the Dutch case, as the percentage of households (with children) at risk of poverty is relatively low.

It is not quite clear to us which benefits are included in the analyses mentioned above. There are several child-related allowances in the Netherlands for instance: General Child Benefit Act (*De Algemene Kinderbijslagwet AKW*); Child-related budget (in 2010 the child-related budget was extended to include an educational expenses allowance), and Care allowance for disabled children living at home (TOG).<sup>23</sup> To support parents' labour market participation, there is also a childcare allowance (more information on the linkage between the use of formal childcare and childcare allowances is described in the next section). In 2015, the expenditure for childcare and child benefits<sup>24</sup> will be 7,221 million euros, which is 9% of the total expenditure costs for social security.

In addition to these child benefits, school books and other training aids are freely available for children attending primary or secondary school. Other arrangements and allowances are in place for some forms of secondary education.

Dutch schools participate in the European school fruit programme.<sup>25</sup> Although a large number of fruit suppliers withdrew from the programme in November 2014, affecting significant numbers of schoolchildren, a new fruit supplier has filled the gap since the beginning of January 2015. The scheme supplements the existing '*Smaaklessen*' and '*SchoolGruiten*' programmes funded by the national authorities

A new system was introduced in August 2014, obliging community schools to provide places for children who need special support. Schools will have to find solutions and make agreements at the regional level. Funding will be made available at the regional level, where resources will be shared among schools. However, the new system will be introduced alongside financial cutbacks. There are concerns that these measures will have a negative effect on the support for pupils with special needs, and that their rights are not guaranteed. It is still unclear if this will be the case.

#### **2.1.4 Parenting services/programmes**

All municipalities have had a Centre for Youth and Family since 2011. These centres provide advice on raising children and, where necessary, guide parents and children into other areas of the youth care system. The preventive services aim to detect problems and to intervene at an early stage, to coordinate support and to refer children and families to the provincial youth care services. The role of these centres might change or be replaced following the introduction of the Youth Act. The new Dutch Youth Act<sup>26</sup> came into force on 1 January 2015. Its introduction makes municipalities responsible for all forms of youth care for which the government and the provinces were previously responsible. The goal of the system change is to ensure that more care needs are addressed at the earliest stages. There will be an increased focus on prevention and early support, with the young person's and family's own strengths being central. Support should be integrated and customised, and cooperation with families needs to improve, which can also be summarised in the words 'one family, one plan, one case manager'. The decentralisation will be accompanied by 15% spending cuts. These are based on the premise that care needs will reduce when there is an increased focus on preventive and integrated work.

Schools are often the first place where children with problems are identified. When an educator suspects that a child needs professional help, he or she can contact a Care

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<sup>23</sup> In 2015 TOG will be abolished because of the reform of the Youth Care system. To compensate for the loss of income, parents who make use of this care allowance will receive twice the amount of the general child benefit.

<sup>24</sup> State Budget 2015 : Rijksbegroting 2015 XV Social Affairs and Employment

<sup>25</sup> In 2012-2013 school year, 1,200 schools received free vegetables and fruit through the EU school fruit programme.

<sup>26</sup> The Youth Act concerns policy and services known as child and family services in English-speaking countries.

and Advice team, where the internal supervisor often works with a school social worker and a school nurse. There is a cross-school Special Needs Advisory Team (ZAT) for more complex problems. These teams, consisting of teachers, youth care professionals, social workers, police and (depending on the situation) other professionals, try to address these problems at an early stage. Every school is obliged to have a Care and Advice team.

## 2.2 Supporting parents' labour market participation

### 2.2.1 Labour market participation and gender equality

The recently published Emancipation Monitor<sup>27</sup> (December 2014) reports that in 2013 in seven out of ten cases of parents with under-aged children, both parents had paid work (more than 12 hours a week). The combination of full-time and part-time work is most common among working couples with young children (54% in 2013). Where couples have no children, both partners frequently work full-time (36%) or opt for the full-time/part-time combination (34%). Women increasingly maintain the same number of working hours after the birth of their first child. This percentage rose from 54% to 58% between 2011 and 2013. Just under a quarter of women who have just had their first child are also working full-time, though the majority have a large or fairly large part-time job (20-35 hours). Once the child reaches the age of one year, mothers most commonly work 20-28 hours per week. A majority of the population think working for two or three days a week is ideal for women with young children, and three or four days for mothers with school-age children. For fathers, 42% of the population think a job for four days a week is ideal and almost a third think this should be a full-time job. Working four or five days a week is seen as the ideal for fathers of school-aged children.

### 2.2.2 Childcare

The Dutch government invests in the affordability and quality of formal childcare<sup>28</sup> to facilitate and stimulate female labour market participation.<sup>29</sup> Formal early childcare is financed jointly by the national government, employers and parents. The government's financial support goes directly to the parents through a childcare subsidy or allowance. The childcare allowance is linked to the number of hours worked by the parent with the least work, and to the household income.<sup>30</sup> Before 2009, the allowance had been raised (for households with middle and high incomes), the employers' contribution had become obligatory and primary schools had been obliged to offer out of school childcare services. As a result, the take-up grew considerably between 2005 and 2009 as did the government expenditure costs. Measures to combat improper use of childcare allowances did not have the desired results. In the years 2011, 2012, and 2013 the criteria for childcare allowances became stricter and budgets were limited.<sup>31</sup> The government intended to cut the expenditure costs by €420 million in 2012 to €650 million in 2013. In 2014, it turned out that the expenditure costs of childcare allowance dropped €536 million more than had been intended. In 2014, the government budget was increased by €100 million.<sup>32</sup> More information on the take-up of childcare is given in the Appendix.

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<sup>27</sup> SCP (2014). *Emancipatiemonitor 2014*. The Hague

<sup>28</sup> Formal childcare means care in a day care centre (0 – 4 year-olds), an out-of-school childcare facility (4 to 12 year-olds) or with a registered child-minder (0 -12 year-olds). Primary schools are obliged to offer out-of-school childcare services (either provided by themselves or by other organisations).

<sup>29</sup> See for instance, SCP (2014). *Krimp in de kinderopvang. Ouders over kinderopvang en werk*. The Hague, 2014.

<sup>30</sup> The use of proportional adjustment for the parental contribution is aimed at sparing the lowest income groups

<sup>31</sup> Bouget et al. (2015), Annex 3, Table A1.

<sup>32</sup> See for instance, SCP (2014). *Krimp in de kinderopvang. Ouders over kinderopvang en werk*. The Hague, 2014 and

The (high) costs of formal childcare<sup>33</sup> do affect the use of this type of care but the effects on the labour market participation (of women) is less clear. However, due to Dutch government budget cuts to payments to parents, and the economic crisis, the uptake of day care has decreased (fewer children and fewer hours) and parents are looking for alternative options.<sup>34</sup> From a social investment point of view, it can be argued that as a result (a growing number of) children in non-institutionalised care receive childcare of a lesser quality (as there is quality control on non-institutionalised care), which might ultimately affect their (language) development. In the Netherlands there is an ongoing debate on the effects of government childcare policies and (female) labour market participation. Less attention is paid to the way participation in institutionalised or informal childcare facilities affects the development of children.

### Staff/child ratio

Since 2010 and particularly over the past two years, the government has invested in the quality of childcare services. This also includes strict regulations governing the staff/child ratio. Discussions between the municipal health services and childcare organisations led to new regulations and a tool<sup>35</sup> to calculate the number of staff needed to provide childcare being implemented in 2012 (*Regeling kwaliteit kinderopvang en peuterspeelzalen 2012*). The ratio depends on the number and age (groups) of the children. For instance two staff members can work with 11 children up to 3 years old, while one staff member can work with 9 children aged between 3 and 4.

### 2.2.3 Long-term care

To maintain financial sustainability, to curb the rapidly rising costs of ageing, and to enhance labour market participation (particularly among those at the margins of the labour market), the Dutch government has begun to reform the long-term care and social benefit schemes. These reforms came into force on 1 January 2015. The long-term care reforms make a sharp distinction between those needing residential and non-residential care, aiming to allow individuals to remain in their own homes as long as possible.

Long-term care is regulated by several laws. Under the 2015 Social Support Act (Wmo 2015), municipalities offer support to help people stay in their home and participate in society. They also provide sheltered housing for people who have a psychological condition. District nursing (nursing and other types of care in the home) is governed by the Healthcare Insurance Act (Zvw). Under the Youth Services Act, municipalities are responsible for nearly all types of care and support for children and young people (see also section 2.1, parenting services). The Long-Term Care Act regulates intensive care for vulnerable elderly and disabled people. This law has replaced the Exceptional Medical Expenses Act.

There is a fear that with the current reforms the strong emphasis on citizens providing or starting to provide informal care and on volunteers (due to spending cuts in the healthcare sector) will cause the burden to fall mainly on the shoulders of (older) women (and mothers). This is at odds with the commitment to increasing the labour participation rate of women and with raising the retirement age.<sup>36</sup>

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<http://www.kinderopvang.nl/Content/Files/file/Factsheet%20Kinderopvang%202014%20versie%20oktober.pdf> and SCP (2014).

<sup>33</sup> Bouget et al. (2015), Annex 3, Table B7 indicate that childcare fees are 55.8% of average wage, which is considerably higher than most European countries.

<sup>34</sup> See

<http://www.kinderopvang.nl/Content/Files/file/Factsheet%20Kinderopvang%202014%20versie%20oktober.pdf> and SCP (2014).

<sup>35</sup> <http://1ratio.nl/>. The outcome(s) of this tool are binding.

<sup>36</sup> See for example, SCP (2014). *Emancipatiemonitor 2014*.

## 2.2.4 Maternal/paternal/parental leave schemes

Supporting parents' labour market participation also means lowering barriers to having children (in combination with work). The government has introduced paid maternity leave for a period of 16 weeks on full pay (there is also a Maternity Benefit Scheme for the Self-Employed).<sup>37</sup> There is a maximum limit on payment. From 1 January 2015, the last six weeks of maternity leave can be spread over a maximum of 30 weeks, meaning women can start work from six weeks after giving birth, without losing entitlement to the rest of their maternity leave.

Any payment for parental leave is not a statutory entitlement, but part of a collective agreement. The most current data shows an increase in the take-up, but also a great difference between mothers and fathers; 57% of all mothers take up parental leave, as do 23% of all fathers.<sup>38</sup> In recent years the percentage of mothers taking up parental leave has also risen, while that of fathers has declined. Because fathers mostly work full-time (and make little use of the opportunity to work fewer hours to take care of their children, the Dutch leave scheme appears to perpetuate the way care and work is divided between men and women.

Besides the leave system described above, employees can take up contingency and care leave in cases of difficulty and in order to care for family members. See the appendix for more information.

### Experiments with flexible primary school hours

To combine work and care, school hours can be an obstacle, including starting times. This is one of the reasons why experiments started in 2011 to allow schools to vary their operating hours (including holiday periods). Some of the schools worked together with childcare organisations. The outcomes of the experiments show parents, in particular, as having responded very positively. In spring 2015 it will be decided whether and how the experiments will be followed up.<sup>39</sup>

### Access to workplace flexibility

In the Netherlands it is assumed that every job can be done flexibly. Under the Working Hours (Adjustment) Act (*Wet aanpassing arbeidsduur [WAA]*)<sup>40</sup> all employees have a right to reduced hours,<sup>41</sup> as well as special rights for parents of young children, irrespective of the reason. The onus is on employers to demonstrate serious business or health and safety reasons for rejecting reduced hours. Since January 2015 it is also possible to work fewer hours for a short period of time, and to compensate for these hours by working more in the preceding period.

## 2.2.5 Overall assessment

The above policies and services show that Dutch parents have access to facilities that enables them to participate in the labour market and combine care for their children. In practice it seems plausible that these are incentives to take up work, but are not enough to break through the cultural barriers regarding working full-time. The preference for Dutch parents to (partly) take care of the children themselves (as opposed to full-time formal care) and consequently work part-time is still strongly set and is apparent in the take-up of leave schemes and in the fact that the combination of full-time and part-time work is most common among working couples with young children. Also, the Emancipation Monitor reports that the findings of the monitor

<sup>37</sup> In the near future this will be extended by four weeks before the due date for women who are pregnant with multiple children.

<sup>38</sup> SCP (2014). *Emancipatiemonitor 2014*

<sup>39</sup> See for more information: <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2015/01/17/kamerbrief-over-monitor-flexibilisering-onderwijstijd-primair-onderwijs-en-monitor-5-gelijkedagenmodel.html>.

<sup>40</sup> For companies with 10 or more employees.

<sup>41</sup> There is also a right to increase hours or return to full-time work. The Netherlands records almost as many requests for increased hours as for reduced hours.

suggest that the goal of Dutch emancipation policy<sup>42</sup> of increasing the labour participation and economic independence of women has not been achieved; both have remained unchanged in recent years. The difference between men and women is still significant. In 2013, 53% of women compared to 73% of men were economically independent (approx. €900, 70% of minimum income). Furthermore, the contribution made by men to unpaid work at home did not increase either.<sup>43</sup> In conclusion, the current developments in long-term care seem ambiguous in terms of incentives to increase the labour participation of women, since it is plausible that they are the ones that will provide the informal care and voluntary work that is needed to keep the system financially sustainable.

## 2.3 Policy measures to address social and labour market exclusion

### 2.3.1 Unemployment benefits and minimum income

The social security system in the Netherlands is elaborate. For instance, a minimum wage is guaranteed, and the Participation Act serves as the Dutch safety net. The minimum income scheme also includes social assistance and social insurance for specific situations or groups such as occupational disability, sickness, self-employed and surviving relatives. And the Dutch pension system is a multi-pillar system which includes a flat-rate state pension (the AOW, *Algemene Ouderdomswet*).<sup>44</sup> Furthermore, people with low incomes can apply for allowances and child benefits, allowances for rent and for health costs. There are also tax credits and social provisions, and municipal policies combating poverty (income provisions and programmes to stimulate participation in sports and cultural activities). Besides providing for a minimum income and provisions to participate (see 'combating poverty' for more information) the Dutch minimum income scheme links benefits with activation. The agencies and municipalities that are responsible for implementing the employee insurances and social assistance benefits also provide activation services (more information below 'active labour market policies') and clients are obliged to participate in reintegration programmes (if offered to them).

#### Minimum wage

The rates of the minimum wage are readjusted (increased) twice a year, i.e. in January and July. From 1 January 2015 the amount for employees aged 23 or older is €1,501.80 per month.<sup>45</sup> The minimum wage (working full-time) guarantees a minimum acceptable life style (for more information see below). The unemployment benefits and social assistance are linked to the minimum wage.

#### Unemployment benefits

The WW insures employees against the financial consequences of unemployment. The loss of income may temporarily be cushioned by an Unemployment Insurance Act benefit (WW benefit). For the first two months 75% of the most recently earned daily pay is paid out. The duration of a WW benefit depends on the number of years a person has worked before they became unemployed. The duration of the WW benefit varies from a minimum of 3 months to a maximum of 38 months. When the total income of the beneficiary and possible partner is below the social minimum, the Supplementary Benefits Act (TW) supplements benefits up to the level of the social

<sup>42</sup> The goal of Dutch emancipation policy is to promote equal rights, equal opportunities, equal liberties and (shared) responsibilities for women and men.

<sup>43</sup> Other findings are that on the other hand, gender segregation in education has declined and the number of women in senior positions has grown substantially.

<sup>44</sup> The state pension provides a generous cash benefit to all persons who have reached the statutory retirement age of 65 and 3 months and have lived in the Netherlands for 50 years between the ages of 15 and 65. The pension is reduced by 2% for each year of non-residence.

<sup>45</sup> The gross minimum wage rates are stipulated in the provisions of the Minimum Wage and Minimum Holiday Allowance Act (*Wet minimumloon en minimumvakantiebijslag*).

minimum. The Employee Insurance Agency (UWV) is responsible for implementing the employee insurances.<sup>46</sup>

### **Minimum income**

The Participation Act (before 2015 called the Work and Social Assistance Act, WWB) serves as the Dutch safety net and is means-tested. The net level of benefits is €1,303.99 for (married) couples and €912.79 for singles and lone parents. Since 2015, the benefit levels for people on social assistance that share the costs of living with other people have decreased (the so-called *kostendelersnorm*). The implementation of the Participation Act has been assigned to the municipalities.

### **Minimum acceptable lifestyle and groups at risk of poverty**

The level of the benefits (including income provisions), is considered to be high enough to achieve a minimum acceptable lifestyle and to prevent people from living in poverty.<sup>47</sup> In practice the non-use of income provisions (also open to people with a [minimum] income) is one of the reasons households on social assistance and households with a low income have an increased risk of poverty. Low-income groups (including households on social assistance) do not always have access to correct information about services and benefits. They are hindered by (from their point of view) incomprehensible local bureaucracy and they are ashamed of their difficult situation.<sup>48</sup> Groups with an increased risk of poverty are: social assistance recipients, single parents with minor children; singles under 65; non-western immigrants; and the self-employed. The negative effect of the crisis in terms of social inclusion also becomes apparent in the growing number of households (with children) in need of debt assistance, and the growing take-up of provisions like the food bank. Nevertheless poverty levels in the Netherlands are low.

### **Combatting poverty**

Since 2009 the government has intensified budgets for policy on poverty (including debt assistance). In response to the negative effects of the crisis on children at risk of poverty, the national government has given municipalities and voluntary organisations extra financial support for policy on poverty, so that children in households with low income (and/or debt problems) can also participate and develop fully. In 2015, the government will intensify its policy on poverty structurally, by €100 million. Greater attention will be devoted to the working poor, families with children and elderly people with low incomes. Some of the additional funds for the poverty policy will go to Sports Boost (*'Sportimpuls'*) and the Youth Sporting Fund (*'Jeugdsportfonds'*), two programmes providing subsidies to encourage participation in sport, particularly among children from low-income households. Voluntary organisations like Humanitas, and churches, will also receive additional funding. Even though the Dutch government has introduced serious cutbacks to social security budgets, the State Secretary intends to retain extra budgets to tackle policy and debt assistance in the coming years.

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<sup>46</sup> UWV is an autonomous administrative authority (ZBO) and is commissioned by the Ministry of Social Affairs and Employment (SZW) to implement employee insurances and provide labour market and data services..

<sup>47</sup> In the Netherlands three different indicators are used to determine the number of households in poverty: the low-income threshold, the 'basic need' criterion and the 'modest, but adequate' variant. The point of departure of the low-income threshold is that people who rely on social assistance or the state old-age pension are part of the low-income group. One has to make use of income facilities such as rent allowance to rise to the threshold or above. The low-income threshold is derived from the social assistance benefit level in 1979, when the purchasing power was at its height for people on social assistance. For later years the threshold is indexed in line with price-inflation. The threshold is set for a single person. For multiple-person households, the norm amounts are determined using equivalence factors.

<sup>48</sup> See Chapter 4, Verwey Jonker Institute (2011). *Sterk en samen tegen armoede. Gemeenten en maatschappelijk middenveld in het Europese Jaar ter bestrijding van armoede en sociale uitsluiting*, And SEO (2011). *Niet-gebruik inkomensondersteunende maatregelen*.



### 2.3.2 Active labour market policies

UWV and municipalities receive budgets (and are expected) to provide active labour market services.<sup>49</sup> Clients who are capable of working are obliged to search for a job and participate in reintegration programmes (if offered to them).

In 2009 and 2010 the government introduced several measures to stimulate the economy and to combat unemployment. These included an increased availability of services such as assistance to job-seekers, education and training programmes. After a period of expenditure, in 2010 the government decided to cut back on budgets for reintegration and sheltered employment. Since then the budgets for reintegration have been reduced structurally. The Dutch strategies and reforms contain incentives for municipalities to increase the outflow of social benefits<sup>50</sup>, incentives for employers to hire more vulnerable employees (people who are further from the labour market),<sup>51</sup> more stringent policies, and responsibilities for recipients of unemployment, disability and social benefits.<sup>52</sup>

In 2015, the expenditure costs for reintegration<sup>53</sup> will be €3,166 million, which is 4% of the total expenditure costs for social security. Municipalities are increasingly investing<sup>54</sup> in professionalising their organisations and upgrading the skills of their case workers so as to be more efficient and effective. And since 2011 public tenders over €250,000 include the precondition that people at a considerable distance from the labour market be contracted (social return on investment).

Over a longer period the focus of the programmes has shifted towards shorter and more work-related programmes. Even though municipalities tended to spend most on those who are easy to place, they are starting to realise reintegration programmes are most effective for those who most distant from the labour market. After all, participating in a reintegration programme limits the possibilities of searching for a job for those who can start work immediately.<sup>55</sup>

The government also co-finances sector plans in order to invest in people's job skills. Planned work-to-work arrangements will be supported by the introduction of a temporary measure called 'bridging unemployment benefit' (*brug-WW*). Where needed, this temporary measure provides means for training new employees, where the costs are not paid by the employer but are financed by the unemployment protection scheme.<sup>56</sup>

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<sup>49</sup> If municipalities spend less on reintegration than is granted, a part of the budget may be carried forward to the following year. Eventually, budget that is not spent must be refunded to the national authorities.

<sup>50</sup> Municipalities receive a budget for benefit payments. If a municipality spends less on benefits than the amount it received from this specific budget, it may keep these funds. But if there is a deficit the municipality must compensate itself. This is an incentive to guide as many people as possible to employment.

<sup>51</sup> For instance, compensation for hiring older people and young persons with an occupational handicap who become sick; temporary reduction in the premium for employers; job coaches (support is given to both the employer as well as support to young handicapped persons through training on the job); wage-subsidies and assessments. With the implementation of the Participation Act in 2015 this includes the creation of 125,000 jobs for people with a disability/quota; the legislative proposal was sent to parliament in July 2014.

<sup>52</sup> If the claimant of these benefits refuses to cooperate in efforts to find employment, the social security administration or UWV will give fines, will reduce the benefits, or stop them entirely

<sup>53</sup> State budget 2015: *Rijksbegroting 2015. XV Social Affairs and Employment*. The Netherlands also participates in the ESF programme.

<sup>54</sup> The Ministry of Social Affairs and Employment (SZW) facilitates and cooperates with municipalities through subsidies and programmes such as *Effectiviteit & Vakmanschap* and *Impuls vakmanschap*. Other organisations involved in these programmes are the Dutch National Association of Managers with municipal services in work, participation, income, social welfare and social inclusion (Divosa) and The Association of Netherlands Municipalities (Vereniging van Nederlandse Gemeenten, VNG).

<sup>55</sup> SEO (2014). *Lange termijn effecten van re-integratie*.

<sup>56</sup> It is expected to come into effect in March 2015.

### 2.3.3 Social services

The Netherlands has an elaborate minimum-income scheme (linking activation and benefits), specialised provisions for reintegration and child and family services and long-term care (amongst others Centres for Youth and Family, (school based) Care and Advice teams<sup>57</sup>, youth mental health services and sheltered housing) and investment in combatting (child) poverty and debt assistance. In GDP percentage terms Dutch expenditure is relatively high.<sup>58</sup> All elements (social services, income-support and activation) aim to either support, facilitate or stimulate social and labour market participation or prevent (mental) health issues and social exclusion.

Since 2010, government policies have strengthened their focus on work as well as on preventing the take-up of care and support (and the shift to citizens' responsibilities). In theory, this focus enhances the social investment approach, in the sense that work and the avoidance of care and support contribute to people's participation in economic and social life. The current reforms<sup>59</sup> include a shift of responsibilities from the national to the municipal level and reflect the belief that municipalities are able to provide improved tailor-made services, and are better equipped at an individual level to consider how to encourage individuals to continue participating in society. Nevertheless, the current developments in long-term care seem ambiguous in terms of incentives to increase the labour participation of women, since it is plausible that they are the ones who will provide the informal care and voluntary work needed to keep the system financially sustainable. Moreover, major cutbacks in the budgets for reintegration and for long-term care, including youth/childcare, can be perceived as undermining the social investment approach, if municipalities fail to provide effective services for which they became responsible after the current reforms and decentralisations implemented in 2015.

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<sup>57</sup> Including interdisciplinary teams for more complex problems.

<sup>58</sup> Bouget et al. (2015), Annex 3: 1.8% of GDP spending on all social protection benefits compared to 1.5% for the EU average; 2.1% of GDP spending on social exclusion benefits (social assistance) – compared to the other countries this is considerably higher, as all countries (except one) spend less than 1% ; 0.650% of GDP on active labour market expenditure.

<sup>59</sup> The reforms to labour market participation, long-term care and youth care involve the decentralisation of tasks from the central government to the municipality level. They represent a significant change in policy direction and in the allocation of resources.

## APPENDIX

### Early childhood education

Since 2010, municipalities are required to offer early childhood education (VVE) to children aged 2.5 to 5 who are at risk of developing an educational disadvantage. . Playgroups and childcare organisations provide early childhood education for 2.5 to 4-year-olds. Early childhood education for 4 and 5-year-olds is provided in the first two years of primary school. The school itself is responsible for the quality of early childhood education. Summer schools and so called intermediate classes (*schakelklas*) are part of the tasks. Overall responsibility rests with the municipal authorities, who also determine which children are eligible. Referral usually takes place via the baby and toddler clinic.

The Opportunities for Development through Quality and Education (*Wet OKE*), which came into effect on 1 August 2010, laid down the basic conditions to ensure that the quality of provisions was secured. Supervision of quality is the task of the Municipal Health Service and the Education Inspectorate.

The norm for the size of a (VVE) group is 16 children. In practice, children who are not part of the target group also attend these groups. This is partly desired because target group children learn from non-target group children. Extra funding has been made available to establish so called mixed groups.

### Childcare

In 2011, the number of children with an allowance<sup>60</sup> was at its peak with 739,000 (52% of all children aged 0 to 3; and 23% aged 4 to 12). In 2013, the number of children with childcare allowance dropped to 638,000 (43% of all children aged 0 to 3 year; 21% of all children aged 4 to 12 year).<sup>61</sup> Also, the number of hours per child per year in day care dropped from 952 hours in 2011 to 813 hours in 2013. And the number of hours per child per year in out of school services dropped from 465 to 387 hours per child.

### Leave scheme

Contingency leave (*calamiteitenverlof*) is paid leave up to a few days. Short care leave (*kortdurend zorgverlof*) is paid (70% or minimum income if the beneficiary's income is below the minimum income level) for a maximum of twice the weekly number of hours worked within a period of 12 months. Long care leave (*langdurend zorgverlof*) is unpaid leave for a maximum of six times the weekly number of hours worked over a period of maximum 18 weeks.

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<sup>60</sup> Not all parents are entitled to a childcare allowance because the allowance is linked to having work, but in 2013, parents with high incomes were also excluded. The actual number of children in childcare is therefore higher.

<sup>61</sup> See for instance, SCP (2014). Krimp in de kinderopvang. Ouders over kinderopvang en werk. The Hague, 2014 and <http://www.kinderopvang.nl/Content/Files/file/Factsheet%20Kinderopvang%202014%20versie%20oktober.pdf>, SCP (2014) and Bouget et al. (2015), Annex3, Table A3.1.

