

# Dutch Participation Act not (yet) a success

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## Description

*On 19 November 2019, the Netherlands Institute for Social Research (SCP) published a critical evaluation report on the Participation Act, which provides income support to people furthest away from the labour market. The report prompted a public debate, as its main conclusion is that the objectives of the Act have hardly been achieved.*

The Participation Act serves as the Dutch minimum income system for people furthest away from the labour market. The principal idea behind it is that everyone should have the opportunity to participate fully in society, preferably through a regular job. The Act entered into force in 2015, at the same time as the decentralisation of the Youth Act and the Social Support Act (Wmo). It replaces three existing arrangements focused on helping target groups for whom it is difficult to find a job independently: the Sheltered Employment Act (Wsw), the Young Disabled Persons Act (Wajong) and the Work and Social Assistance Act (Wwb). Municipalities have the task of implementing the Act, which has increased the number/ variety of groups for whom they are responsible.

The Netherlands Institute for Social Research (SCP) is a government agency which conducts research into the social aspects of all areas of government policy. In the press release on its government-commissioned evaluation report, SCP concludes that “The implementation of the Participation Act has hardly led to an increase in job opportunities, which was the intended purpose of the Act.” This applies to the largest group, the “classic” social assistance benefit claimants, as well as to the group of people who lost their entitlement to sheltered employment. The employment chances of young disabled people able to work have increased slightly; however, their income position has deteriorated, because they are increasingly employed on temporary contracts.

In order to explain these outcomes, SCP points out that the Participation Act is underpinned by four key assumptions made by policymakers, which in practice have turned out to be incorrect.

The first key assumption is that the people targeted by the Act would be able and willing to perform paid work, possibly with certain adaptations. The evaluation shows that more than half of the targeted population think this may well be the case at some point in the future, but not at the moment. Most of them experience impediments due to health problems. Municipalities confirm this view.

The second key assumption is that the instruments of the Act would function as an incentive and help to match supply and demand. However, the SCP-report shows that more than half of employers are unaware of the existence of important instruments of the Act, such as the wage cost subsidy and job coaching. Employers who do know of these instruments are reluctant to use them, due to the high administrative burden involved. Moreover, the financial arrangements give municipalities an incentive to use the instruments for people with the highest chance of finding a job, so they no longer need benefit. Therefore, members of the target group with lower chances of finding work are not sufficiently benefiting. Worse still, municipalities state that a large share of this group (one eighth to one quarter) is unknown to them. A further notable finding is that a substantial proportion of this group has found a job without the deployment of instruments or local authority support.

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The third key assumption is that merging the three existing arrangements into the Act would lead to a less complex system that would increase the chances of people finding employment, partly because it would be easier for employers to take on these people. However, the evaluation shows that there are still different arrangements for the various target groups, which often reflect previous distinctions. This puts a brake on the enthusiasm of employers to take on people from these groups.

The last key assumption is that obligations and financial incentives would encourage people on Participation Act benefits to find employment. Scientific literature shows that a more stringent approach can lead to higher benefit outflow, but also that sanctions will only be effective if they are tailored to the specific circumstances of the benefit claimant. But the Act does not really introduce new incentives, obligations and sanctions; it mainly aims at reducing existing differences between municipalities. In practice, not much progress has been made in this area.

As a result, SCP formulates a number of areas for improvement of the Act. Firstly, a funding structure should be created, which should also provide motivation to help those who are hardest to place in work. Secondly, an improved early-warning mechanism is needed to include the most vulnerable groups. Thirdly, attention also needs to be given to reducing complexity and embedding an effective matching process.

On 20 November 2019, the government reacted to the suggested improvements in a Letter to Parliament. The letter emphasises the link with ongoing policy adaptations. It contains no fundamental policy changes or extra budget, but mentions that additional research will be carried out into the financial framework.



## Outlook and commentary

The largest Dutch union (FNV) is not surprised by the findings. It emphasises that the Participation Act is intended to make it easier for people with a work-limiting disability to find employment. It also highlights that the introduction of the Participation Act was coupled with a substantial cut. Therefore, it calls on the government to adjust the policy and to make the necessary funds available to do so.

Pressure groups representing the municipalities and other stakeholders (including Divosa, VNG [the Association of Netherlands Municipalities] and Cedris) endorse the findings of the evaluation and propose three improvements: a simpler system of income provision for citizens; an anti-cyclical investment model, to help citizens stay employed during a crisis; and improved consistency between education and the labour market. In addition to these suggested improvements, they comment that the current financial means provided are insufficient to fulfil all the ambitions of the municipalities, due to cuts. Therefore, extra funding is necessary.

## Further reading

SCP (2019). [Evaluation of the Participation Act](#), The Hague: SCP.

[Press release SCP on the Evaluation of the Participation Act](#) (19-11-2019).

[Letter to Parliament by the State Secretary of Social Affairs and Employment on Evaluation of the Participation Act](#) (20-11-2019).

[Press release FNV on Evaluation of the Participation Act](#) (19-11-2019).

[Press release Divosa, VNG and Cedris on Evaluation of the Participation Act](#) (19-11-2019).

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