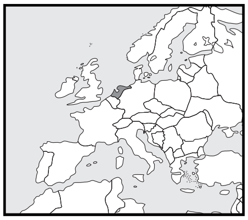
A rich society, a poor welfare state

GERARD OUDE ENGBERINK[1]



In response to the Copenhagen Summit in 1995, the Netherlands promised an intensified political effort to link social development and economic progress. Policies developed to satisfy this commitment have fallen short of their goal. Primarily to quell public discontent, the government has taken marginal steps towards mitigating the most obvious negative consequences of "restructuring" the economy and the collective sector, but these steps have been inadequate to meet social needs.

Since Copenhagen, political opportunities have been favourable and financial resources abundant. However, the economic and social gap between the prosperous part of society and a large number of "marginal households" does not tend to close, which is a matter of serious concern. Increasing economic activity in the last decade has reduced the number of poor households, but those who stayed poor are faced with bigger problems. Unemployment decreased to pre-recession levels, but those who remained unemployed saw their prospects of finding a decent job declining. While the wealth of the majority of households reached unexpected levels, public spending for welfare lagged behind national prosperity levels. Public assistance, health care, education, special housing arrangements for vulnerable groups and other public sector provisions fell to a questionable level of coverage and quality, even though spending in some areas may have risen in absolute terms. At public opinion level it is frequently stated that the Netherlands is "a rich society in a poor welfare state".

Many elderly people, single-parent households, ethnic minorities, and women and children are still at the bottom of the social ladder, and they are now joined by refugees, asylum-seekers, and undocumented people.

A vicious circle

Three trends in Dutch politics, each reinforcing the other, combine to prevent the promotion of social development.

In the first place, economic interests continue to take priority over social needs, as evidenced by the restructuring of state financial arrangements to increase investment in economic infrastructure, reduce state debts, and fuel investment and consumption through tax cuts – all measures designed to maintain a competitive position in the world market.

Secondly, to free funds for economic development, spending in the social sector has been cut by reorganising and shrinking the welfare system throughout the 1980s and 1990s. Efficiency measures and privatisation schemes were introduced, the latter to cut costs by bringing social programmes under the "discipline of the market". Many of these increased relative poverty and widened the gap between welfare recipients and the employed, dynamic part of society.

Thirdly, government policies to redress the unwanted consequences of reductions in welfare spending have been piecemeal, directed at specific hardships and specific target groups. Because policies have been marginal, never mainstreamed, they have not succeeded in linking social development to economic progress.

Guiding this incoherent social policy has been a shifting political ideology that increasingly and often unwittingly measures social values in economic terms: human beings are seen as economic assets.

Critical domestic policy sectors

The policy problem in the Netherlands can be summed up thus: while the national government cuts social spending, it tries to cushion the most painful and publicised negative effects of the cuts with limited, targeted measures that do not threaten the overall reduction plan.

Social assistance schemes are the most important instrument in the Netherlands for combating poverty. While benefits have been cut and the number of claimants reduced by raising entitlement thresholds, new anti-poverty policies have been introduced for particular groups such as the elderly and single-parent households. The main anti-poverty strategy continues to be to get unemployed and poor people into the regular labour market, where they find jobs at the lowest wage levels. In a remarkable number of cases the new employees' earned wages are actually lower than their former social benefits. This situation leads the government to focus almost exclusively on policies to repair this incongruity between the world of benefits and the world of wages by a complex set of tax measures. And for many people, working for a wage is not a solution: many elderly, disabled and others have little to offer in the labour market.

The statistical consequence of additional income policies for certain groups has been a decline in the number of low-income households, while the financial situation of those on or under the poverty line deteriorated because of higher prices. Moreover, wages of the employed rose faster than the price for consumer goods and services, while the purchasing power of benefits lagged far behind, thus widening the gap between the prosperous and the poor.

Recent research found that the number of children in poverty in the Netherlands has risen considerably.[2] Furthermore, poverty seems to affect primarily women –"the feminisation of poverty"– and increasingly, households

1 Gerard Oude Engberink is a researcher and advisor on social issues to the city of Rotterdam. This report was written in consultation with Alida Smeekes, European Network Against Poverty, Caroline Wildeman, Netherlands Organisation for International Development (Novib), and Jan Vugts, ATTAC Netherlands (Association for Taxes des Transactions financieres pour l'Aide aux Citoyens). The work was coordinated by Alide Roerink, National Committee for International Cooperation and Sustainable Development.

2 E. Snel, T. van der Hoek and Tessa Tiziana. "Kinderen in Armoede. Opgroeien in de marge van Nederland" (Children in Poverty: Growing up in the margins of Holland). van Gorcum, Assen, 2001.

of ethnic minority origin. The most recent *Poverty Monitor* found 40% of all ethnic minority were low-income households, one in six of these chronically.[3]

The national government sought to curb rising health care costs by increasing people's contributions for certain medicines and treatments, "cleaning up" the package of provisions by which low-income households are collectively insured, and implementing efficiency measures and privatisation in hospitals and other care institutions. This resulted in an overall decline in the availability and quality of care in hospitals and homes for the elderly and the disabled. At the same time, because of the aging and the changing composition of the Dutch population the need for medical intervention rose rapidly. Especially vulnerable were psychiatric and disabled patients, who earlier lived in "protected housing" in between institutions and the "open society". They now have to find their own places in the housing market and often glide into homelessness. The quality of Dutch health care, once among the highest in the European Union, has fallen to the EU average.

While there is no real housing shortage in a quantitative sense, privatisation, liberalisation and the resulting rising rents keep quality housing beyond the reach of low-income households. This problem primarily affects the unemployed, ethnic minorities with large families, recent immigrants and "young starters on the housing market," who frequently find themselves in severe debt with the landlords and energy companies. Unsanitary private hostels house many of the poor, especially in the large cities.

A telling fact is the rise in the number of homeless and the changing composition of this group. In earlier days the homeless were primarily older males with social and addiction problems. Now women, children and whole families have to resort to the reception centres of the local authorities or non-governmental organisations. The national government plans additional funding to at least partially satisfy the increasing need for "bed and breakfast" for these groups, but the amount allocated is inadequate according to experts in the field.

The situation in the field of education has been succinctly described by a Dutch labour union in the following terms: "School buildings are getting dilapidated, staff salaries are lagging behind and the work pressure [because of a shortage of teachers and support personnel and a high rate of absenteeism due to illness] is intolerable."[4] The education system has been in reorganisation for almost 30 years, in an attempt to reduce costs and promote efficiency. Buildings are sub-standard; many teachers feel themselves underpaid and undervalued and leave for more profitable sectors; overall quality is declining. In the last two years the government made some additional funding available to satisfy teacher demands, but experts claim that huge investments are needed to halt the decline of Dutch schools.

Official Development Assistance: NLG 70 million less

The principle aim of Dutch development cooperation policy is sustainable poverty reduction. A sum of NLG 8.2 billion (USD 3.3 billion) was earmarked for this policy in 2001, NLG 600 million more than the year before, the total amount equalling 0.8% of GNP. Approximately a third (USD 1.09 billion) of the 2001 development budget was reserved for bilateral cooperation with 20 priority countries: Bangladesh, Bolivia, Burkina Faso, Egypt, Eritrea, Ethiopia, Ghana, India, Indonesia, Macedonia, Mali, Mozambique, Nicaragua, South Africa, Sri Lanka, Tanzania, Uganda, Vietnam, Yemen and Zambia.

In 17 of these 20 countries, aid is focused on social development, especially education and health. Although the financial aid to education has increased in the past years, the Netherlands Organisation for International Development advocates an increase in the contribution to basic education in order to reach the "Education for All"' target. In addition the Global Campaign for Education, a worldwide alliance of NGO's and educational unions, is working to develop a Global Initiative aimed at mobilising additional aid for education, guaranteeing the formulation of national education plans in cooperation with civil society, and monitoring the implementation of educational policies for all target groups. As a result of this campaign, the World Bank took the initiative of developing a multilateral fund for education.

In 2000, multilateral support (30% of the overall budget) was subject to review. The government wants to push the UN organisations and the International Financial Institutions to improve their mutual co-operation, to concentrate on key activities particularly in the poorest countries and to improve monitoring and evaluation systems.

To underline the importance of donor coordination, the Dutch Foreign Minister now takes part in the Utstein Group together with development ministers from Norway, Germany, and the United Kingdom. The group formulated an agenda to collaborate on several key development issues and made a joint visit to Tanzania, the World Bank and the IMF to put the promise of more donor coordination into practice.

At the last meeting of development ministers of the EU on 8 November 2001, all member states agreed to meet the target of 0.7% of GNP for ODA. Dutch NGO's have criticised this agreement because it allows countries to count tax refunds to individual charities as part of their national ODA contribution. For the Netherlands this will mean NLG 70 million less than the present level of ODA.

Conclusion

National policies to restructure and modernise the welfare system have not succeeded in closing the gap between the employed and the recipients of public benefits. The causes for this failure include the priority given to public investment in economic infrastructure and productivity, the government's commitment to the promotion of the international competitiveness of the Dutch economy, and the persistent belief that employment will eventually reduce poverty and promote sustainable development and social cohesion. Though the number of poor families decreased overall, the plight of those who cannot compete in the employment market remains grim. New and vulnerable groups, whose condition may be even worse than that of the "regular" welfare recipients, have joined the elderly, the disabled, and women and children at the bottom of the economic ladder. Dutch poverty is poverty amidst plenty. ■

European Network Against Poverty
Netherlands Organisation for International Development (Novib)
ATTAC Netherlands
National Committee for International Cooperation and Sustainable Development (NCDO)
<a.roerink@ncdo.nl>

3 CBS/SCP. Poverty Monitor 2001. SDU, The Hague, 2001.

4 CNV (Christian National Labour Union) in a press release on 19 September 2001 in reaction to the presentation of the 2002 budget of the national government.