

Government and firm-based unemployment policies in the Netherlands since the 1980s

Citation for published version (APA):

Gerards, R. (2013). Government and firm-based unemployment policies in the Netherlands since the 1980s. In H. Meijers, & T. V. Veen (Eds.), *3 Decades of economic diversity - essays on labour, technology and monetary economics in honour of prof.dr. Joan Muysken* (pp. 139-155). Maastricht University.

Document status and date:

Published: 01/01/2013

Document Version:

Publisher's PDF, also known as Version of record

Document license:

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Government and Firm-Based Unemployment Policies in the Netherlands since the 1980s.

Ruud Gerards



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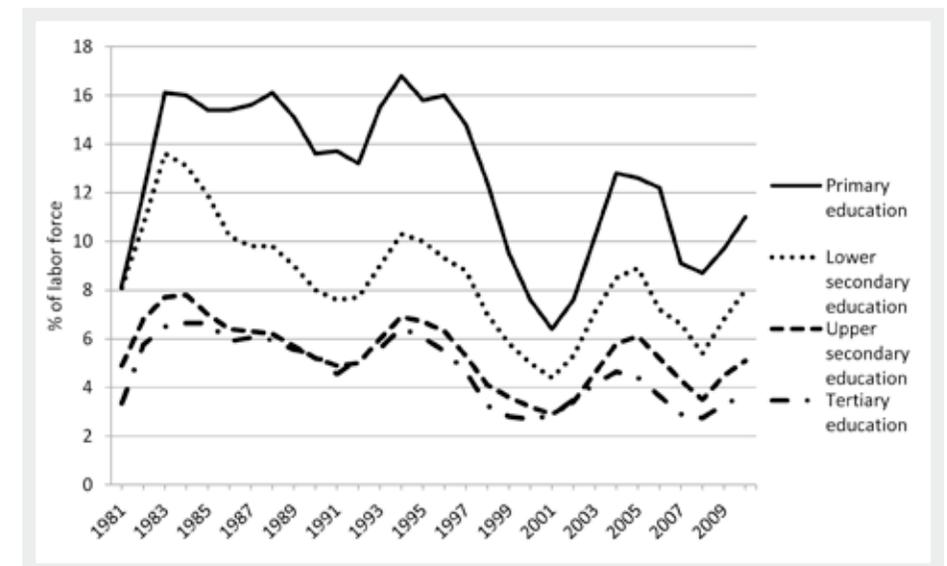
Ruud Gerards (*r.gerards@maastrichtuniversity.nl*)

1. Introduction

It is ultimately through Joan Muysken's supervision during my PhD studies, that I have become aware of the severity of the consequences of unemployment and of the need to view unemployment as a macro-level problem of the (political) economy. If I had not had Joan as supervisor, my path as an academic and individual would most likely have been a different one and would not have introduced me to that and to other important notions, theories and concepts. Therefore, I have written this article in spirit of one of the most important concepts that Joan has introduced me to: the Job Guarantee (Mitchell and Muysken (2008, 2010)).

In the wake of the two world wide oil crises of the 1970s many OECD countries, including The Netherlands, witnessed a tremendous increase in unemployment levels. Figure 1 shows that unemployment in The Netherlands increased sharply until 1983 across all levels of education, although the burden was highest for the low-skilled. It was not until the late 1990s that unemployment decreased to a considerably lower level.

Figure 1: Unemployment by education 1981-2010, the Netherlands



Source: Statistics Netherlands Labour Force Survey (EBB)

Prolonged unemployment is harmful for both individual workers as well as society. There are many costs associated with it that range from output loss to the economy to psychological harm to the individual (see Sen (1997) for an elaboration). In The Netherlands, workers are insured against the financial costs of unemployment via the welfare state since 1949. However, the welfare state is generally not equipped to mitigate the non-financial (social and psychological) costs of unemployment that weigh heavily on the unemployed individual. This suggests that preventing unemployment is preferred to curing it. Moreover, through a process that has become known as ‘managed liberalization’ (Van der Veen and Trommel, 1999) the government has increasingly privatized and decentralized responsibilities and has started to rely more and more on the market system for the financing and administration of social insurance. This process has changed the nature of the traditional welfare state towards the ‘enabling state’, which is coined by Gilbert and refers to the enabling role of the state “...to provide social protection through public support for private responsibility.” (Gilbert, 2005, p. 6). In this move towards the enabling state, the role of the government has changed from being a provider to being a facilitator. According to Van der Veen (2009) this does not mean that public responsibility is eroding but merely that it has been ‘recalibrated’ from financing to regulating. Whether one agrees with Gilbert and sees this as a “*silent surrender of public responsibility*” (Gilbert, 2002) or whether one agrees with Van der Veen in concluding that it is not a retrenchment of the welfare state, the reforms (and to this Van der Veen concedes) have led to increased private responsibility for welfare arrangements.

This article will discuss how the government, in its changing role from provider to facilitator, has performed in terms of reducing unemployment since the 1980s and we contrast this performance to that of a private firm’s unemployment program. The changing responsibilities of the government and the private sector have in part been shaped by the economic developments of recent decades. In paragraphs 2.1 through 2.3 we discuss these economic developments and the parallel changes in direction of government unemployment policies. We distinguish three phases: the early 1980s, the late 1980s and 1990s and the new millennium. In paragraph 2.4 we briefly discuss the role of the political business cycle in the changes in direction of government unemployment policies. In paragraph 3, we introduce a firm based initiative aimed to reduce unemployment which, in contrast to the changing government policies, has been in continuous operation throughout the same decades. Paragraph 4 concludes.

2. Economic developments and the labour market 1980-2010

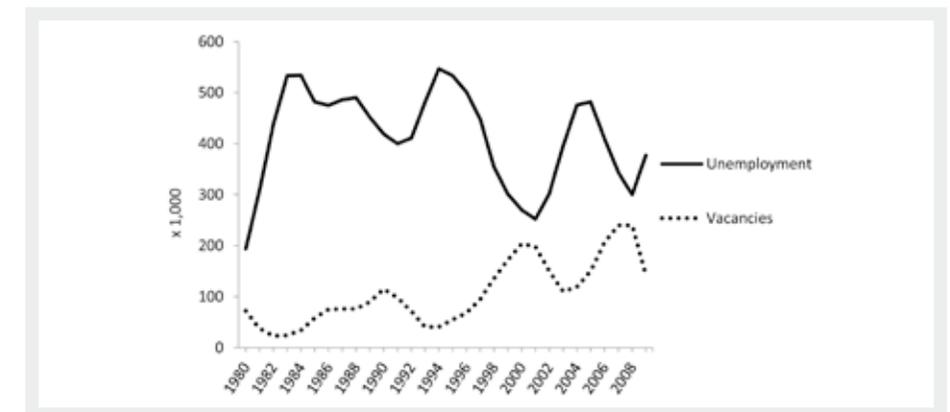
2.1 The early 1980s: The inheritance of the oil crises and the Wassenaar Agreement

In the 1980s, the decade that inherited massive unemployment of the two oil crises (see also Figure 1 above), the primary concern was to curb the costs of the welfare state and to reduce unemployment. To accomplish this the newly elected government set in motion two decades of intensive reforms. The first reforms were initiated by the 1982 *Wassenaar Agreement* in which unions and employer organizations agreed to lower working hours (from 40 to 38 hours per week) in exchange for wage moderation. As a result of the Wassenaar Agreement the profitability of the private sector increased (Visser, 1998).

The focus on job creation in the Wassenaar Agreement was to a large extent a curative measure against unemployment which matched the spirit of the early 1980s. Figure 2 shows that the number of vacancies did not nearly grow fast enough to bring down unemployment in the first half of the 1980s. It merely slowed down the rapid growth of unemployment.

In the mid and late 1980s, most government reforms focused on trying to curb the costs of the welfare state and bringing the number of claimants down. Replacement rates were lowered, not only with regard to unemployment but also with regard to sickness and disability benefits. Furthermore, in 1987 all unemployment benefit laws were completely overhauled (in the so called: ‘*Stelselherziening sociale zekerheid*’) although several studies revealed that it did not yield the envisioned results (e.g. Bovenberg, 2000). As Figure 2 shows, unemployment decreased only modestly and rose to a new peak in the early 1990s. It was not before 1995 that unemployment started to decrease.

Figure 2: Number of vacancies and unemployed 1980-2009



Source: Macroeconomic Outlook 2011, Netherlands Bureau for Economic Policy Analysis (CPB)

2.2 The late 1980s and 1990s: Globalization, Skills Biased Technological and Organizational Change and Crowding Out

In retrospect, we know that it was not merely the aftermath of the two oil crises that affected the labour market. Throughout the 1980s and 1990s, developments such as globalization, skills biased technological and organizational change (SBTC and SBOC) and the crowding out of low skilled workers have complicated policies to reduce unemployment. Straus-Kahn (2003) finds that in many countries globalization and SBTC led to diverging developments for low skilled and high skilled workers. Low skilled workers suffered absolute or relative wage decreases and higher unemployment levels than high skilled workers. According to Berman, Bound and Machin (1998, p. 1245) “Demand for less-skilled workers plummeted in developed countries in the 1980s”. As Figure 1 shows, unemployment in The Netherlands in the 1980s and 1990s was particularly high for low educated workers and the gap between low and high educated workers has started to widen in the late 1980s and 1990s.

Globalization is particularly reflected in outsourcing of low skilled work. Outsourcing means that for production processes that can be broken down into many intermediate products, the relatively low skilled activities can be relocated to low wage countries (Feenstra and Hanson, 1996). This leads to a diverging demand for low skilled and high skilled workers because the further processing of these intermediate inputs into final products relies relatively more on high(er) skilled labour. Therefore, the relative demand for high skilled labour increases (Feenstra and Hanson, 1996). In their study on 14 countries (including The Netherlands), Hummels, Ishii and Yi (2001) show that the share of outsourcing in these countries’ exports of final goods increased by 30% from 1970 to 1990. Similarly, Falk and Wolfmayr (2008) find for several countries including the Netherlands, that in the period 1995 to 2000, growth in imported materials is larger than growth in output, meaning that imports are becoming increasingly important in the production process. In an earlier study they show that imported materials from low wage countries have a negative impact on total employment in the importing country, especially in low skill intensity industries (Falk and Wolfmayr, 2005). More recent literature shows a somewhat less grim picture. Munch (2010) finds for Denmark between 1990 and 2003 that outsourcing leads to short-run adjustment costs especially for low skilled workers. The costs are mainly expressed as an increased unemployment risk and lower re-employment earnings. However, Munch notes that the size of the effects is modest and that the flexibility of the labour market determines how large these costs will be. Bachmann and Braun (2011) find for Germany between 1991 and 2000 that outsourcing increases the risk of leaving the labour market especially for medium skilled and older workers.

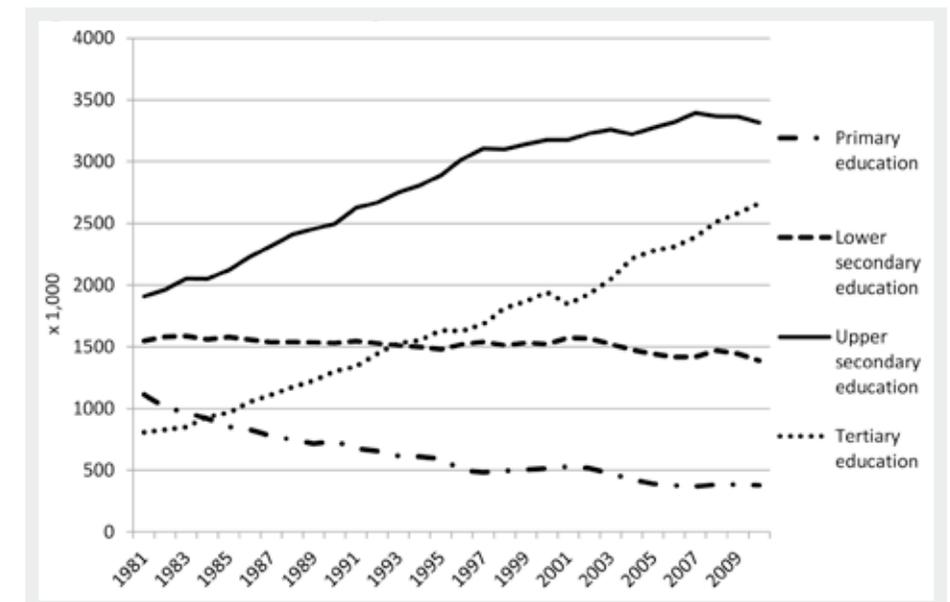
Autor, Levy and Murnane (2003) analyze the underlying mechanism of Skills biased technological change (SBTC) by looking at the effects of advances in computer technology. They find that computer technology substitutes labour in tasks that rely on cognitive or physical routines (often low skilled) and that computer technology complements labour in non-routine cognitive tasks (usually high skilled). This leads to an increasing demand for skilled labour compared to unskilled labour and increased relative wages for skilled labour (Autor et al., 2003). Furthermore, Berman et al. (1998)

find that nonproduction workers have been substituted for production workers in 10 leading OECD countries including the US, UK and Germany. This happens consistently within the same industries across countries, by which they argue that SBTC is pervasive throughout the developed world.

Similar to how the introduction of new technologies leads to a skills bias in labour demand, the introduction of new ways of organizing work also tends to shift labour demand to favor high skilled workers (Caroli and Van Reenen (2001) and Bauer and Bender (2004)). This is known as Skills Biased Organizational Change (SBOC). Examples of organizational changes include amongst others just-in-time production scheduling, work teams and multi-tasking (Piva, Santarelli and Vivarelli (2005), who also present an overview and discussion of the literature on skills biased organizational change.). Using data on 400 Italian manufacturing firms, Piva et al. (2005) are able to jointly estimate SBTC and SBOC and find that SBOC is important in explaining changes to the workforce composition especially on the shopfloor-production level. Combined with SBTC the impact is stronger suggesting that SBTC and SBOC complement each other. Piva et al. argue that these organizational changes increase the need for improved general skills among all skill levels to ensure that all workers are equipped to easily adapt to organizational and technical changes.

The final phenomenon we briefly discuss here is ‘crowding out’. In the context of the labour market this refers to the process that higher educated workers occupy jobs that demand a lower skill level than they possess, displacing the low skilled worker who used to occupy this job (Borghans and De Grip, 2000). Figure 3 shows the composition of the Dutch labour force by educational attainment.

Figure 3: The Dutch Labour force by education 1981-2010



Source: Statistics Netherlands

The labour force increasingly consists of workers with upper secondary or tertiary education and the workers with tertiary education show the steepest volume growth. Gesthuizen and Wolbers (2010) argue that this educational expansion outpaces the growth in high skilled jobs, forcing high skilled workers to accept a job on a lower level. The workers they displace on this lower job level then accept a job on an even lower level. This process of bumping down in the end becomes most problematic for workers at the lowest level. Gesthuizen and Wolbers (2010) show that crowding out has contributed to the worsening of the labour market position of low educated male workers in The Netherlands between 1980 and 2004. Crowding out reduces the opportunities for low educated workers to enter or re-enter the labour market. Borghans and De Grip, 2000 explain that this phenomenon can be interpreted from two perspectives. Crowding out can be interpreted as a signal of excess supply of high skilled workers. In that case, there is overeducation and as a result the skills of the higher educated are underutilized. However, crowding out can also be interpreted from an upgrading perspective, when jobs today require more skills than in the past (Borghans and De Grip, 2000).

While globalization, SBTC and SBOC, and crowding out contributed to the widening unemployment gap between low skilled and high skilled workers in the 1980s and 1990s, the government was still struggling to get unemployment under control. However, whereas in the 1980s reforms that cut replacement rates or changed benefit eligibility were popular, the 1990s became the era of Active Labour Market Policies (ALMP), changes in employment protection legislation (EPL) and decentralization and privatization of social insurance. The so called 'Melkert jobs' of the mid 1990s which provided subsidized jobs for the long term unemployed have been among the few relatively (but not indisputably) successful ALMP policies. However, these activation and participation measures, although sometimes successful in employing the long term unemployed, are culprits for the increasing risk of in-work poverty among low skilled workers in the 1990s (Snel, De Boom and Engbersen, 2008). Yet another sign of diverging developments between skill levels.

Overall, most authors discussed above find significant negative effects of outsourcing, SBTC and SBOC on (low skilled) employment in developed OECD countries throughout the 1980s and 1990s, which is compatible with the skills upgrading perspective of crowding out. Combined with the complication of increasing risks of in-work poverty among low skilled workers, this paints a gloomy picture for low skilled workers. Not surprisingly, most authors advocate policies towards the upgrading of the skills of low skilled workers.

2.3 The new millennium: continued importance of skills upgrading on all levels

As Figure 2 shows, around the year 2000 unemployment was finally down to the lowest level in over twenty years. The amount of vacancies was approaching the number of unemployed, signalling a tight labour market. However, this situation did not last for long as unemployment started to rise again. The trends in globalization, SBTC, SBOC and crowding out did not stop at the turn of the millennium, they still prevail today. Figure 3 shows that the educational expansion is ongoing and in recent years the growth in upper secondary education is leveling off whilst growth in tertiary education seems to be higher than ever. The question whether this has led to more crowding out is not

something we analyze in detail here, but the evidence presented by Gesthuizen and Wolbers (2010) shows that until at least 2004 this has been the case. This is likely to continue unless SBTC leads the growth in the relative demand for high skilled workers to overtake the growth in relative supply of high skilled workers (as predicted to occur between 2000 and 2020 by Jacobs (2004)). However, whether it is due to crowding out or SBTC, in both cases the low skilled workers get the short end of the stick. Figure 1 shows that with the renewed rise of unemployment from 2001 onwards, which coincides with the accelerated growth in tertiary education (Figure 3), the unemployment gap between low and high skilled workers immediately grew larger again. Moreover, Groot and De Groot (2011) find that wage inequality between on the one hand low skilled workers and on the other hand medium and high skilled workers has increased between 2000 and 2008.

The government's response to the renewed increase in unemployment consisted of cuts in benefit duration, more stringent eligibility criteria and a further decentralization and privatization of reintegration services. Unemployment declined across the board until the subprime mortgage crisis hit and unemployment again started to increase, again rising faster for low skilled workers.

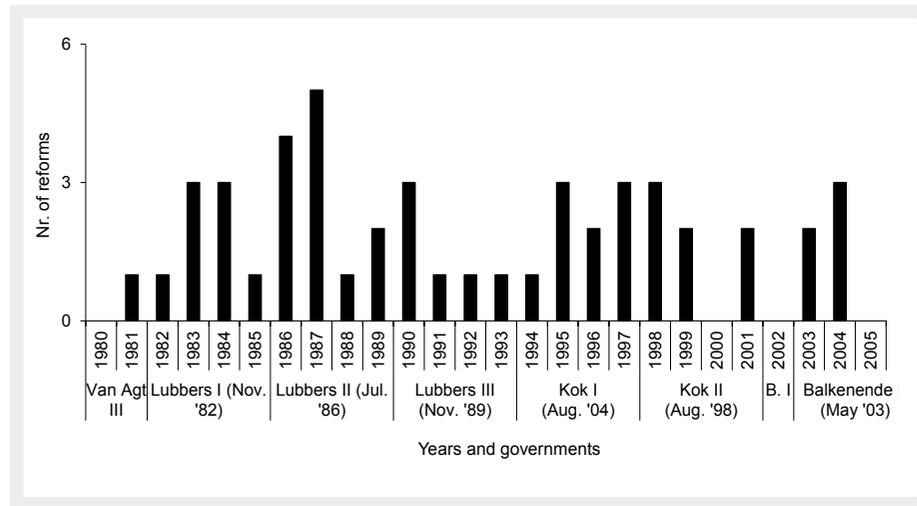
Unemployment rates over the past 30 years have been at least twice as high for the lowest skilled workers than for the highest skilled workers. Combined with the findings on in-work poverty, wage inequality and the ongoing educational expansion, it is clear that the low skilled have ended up in the worst position, fighting to hold on to the bottom sport of the labour market ladder and competing for their job with higher educated workers, migrant workers as well as low skilled workers in low wage countries.

2.4 The volatile nature of consecutive governments' unemployment policies

The preceding paragraphs illustrated how the governments which were in power throughout these decades responded to the prevailing developments in the unemployment rate and the economy in general. To illustrate the volatile nature and the lack of continuity of government policy, Figure 4 graphs the number of reforms targetted at reducing unemployment by year and government. This includes reforms to the unemployment and social assistance benefit schemes, active labour market policies and changes in employment protection legislation. The sheer number of reforms, regardless of how long they stay in effect, shows that there is a lack of stability in government policy with regards to unemployment. As the preceding paragraphs also showed, there has not been one stable government policy effectively working to reduce unemployment. Instead, each new government seems to want to try their own strategy which is illustrated by the fact that there are four main waves of reforms, which each occur just after the installment of a new government; 1986/1987, 1995/1996, 1998/1999 and 2004.¹ The concentration of reforms is significantly lower towards the end of each political business cycle, which usually lasts four years. The tendency to implement new ('their') policies at the start of each new government period and the often unpopular nature of social security reforms, which is reasonably expected to be an influence on chances for re-election, are both likely factors in this timing pattern.

¹ There was also a fifth reform wave in 1982/1983 when the Wassenaar agreement was signed. Compared to the other waves this wave is not as apparent from Figure 4 since the Wassenaar agreement is counted as one reform, while actually consisting of numerous reforms.

Figure 4: Number of unemployment-targetted reforms by year and government, 1980-2005



Source: Adapted from Gerards, (2012)

3. Developments within the private sector: the Philips Employment Scheme (WGP)

In the early 1980s, at the time of the Wassenaar agreement, Philips Electronics Netherlands was one of the Dutch largest employers. Whereas the unions and employer organizations agreed in the Wassenaar Agreement to reduce working hours, Philips preferred a different approach to combat unemployment. Being such an important employer, Philips was able to negotiate with the unions to implement a different approach. As particularly youth unemployment was very high at that time, Philips created the 'Youth Work Plan' (JWP) which offered unemployed youngsters one year of work and training with Philips. With the JWP commencing in 1983, Philips committed itself to pro-actively contribute to the fight against unemployment, a role that before that time was not performed by the private sector. The JWP ran successfully for a number of years after which the target population was expanded in 1986 to include other groups of unemployed. The main criterium became that a participant should have a large distance to the labour market (eg. the long term unemployed or the unemployed among ethnic minorities). The name of the program was changed into *Philips Employment Scheme (WGP)* but the basic setup remained largely unchanged and still entailed one year of full-time employment and training at Philips. To avoid confusion with the commonly used abbreviation PES for Public Employment Services, we will abbreviate Philips Employment Scheme to 'WGP' (based on 'Werkgelegenheidsplan', the Dutch name of the program).

Gerards, Muysken and Welters (2012) have analyzed the performance of the WGP. Their analysis reveals that the WGP has an average treatment effect of 18 percent, which means that the average program participant has a 18 percentage point higher probability to find a job than an unemployed person who did not participate in the program, but with otherwise similar characteristics (Gerards et al., 2012). Gerards et al. (2012) also show that the impact of the participating in the WGP is much larger than the impact of participating in a public reintegration program. Furthermore, the WGP has a number of benefits for Philips. It serves for example as an additional recruitment channel, as Philips offers suitable WGP participants the possibility to continue into regular employment within the company. The WGP continues to be in operation today and celebrating its 30st anniversary in 2013. The longevity of the program is one of the features that contrasts sharply with that of public labour market instruments, which tend to last no longer than a political business cycle as is shown in Gerards (2012) and which is illustrated in paragraph 2.4.

3.1 Aggregate potential of the WGP if implemented by the 700 largest Dutch firms

As Gerards et al. (2012) show, running a program like the WGP has certain benefits to the firm as well. Philips on average hires 15% of the WGP participants into regular employment within the company, saving on recruitment costs. Furthermore, WGP participants sometimes temporarily replace a regular employee at times when the latter is being trained, thus dampening productivity losses. This also implies that the work experience the WGP participant gets is as close to a regular job as can be, which is one of the success factors of the WGP. Finally, the WGP is seen as a contribution to corporate social responsibility of the firm and may help improve firm-union relations (Gerards et al., 2012). There is no reason to think these benefits would not apply similarly to other companies running a similar program.

To give an impression of the potential role firms could play in reducing structural unemployment, Table 1 provides a rough calculation based on the number of large firms in the Netherlands and the current stock of long term unemployed.

Table 1: Aggregate private sector potential of the WGP based on 2012 data.

Number of firms with 1,000-2,000 employees		420	firms
▪ Total employment at least	420 x 1,000=	420,000	persons
Number of firms with 2,000+ employees		285	firms
▪ Total employment at least	285 x 2,000=	570,000	persons
Total employment at the 1,000+ firms		990,000	persons (at least)
Number of long term unemployed			
▪ 12+ months in WW (UB)	84,020		
▪ 12+ months in WWB (welfare)	292,660		
Total number of long term unemployed		376,680	persons
Target job creation percentage		1%	of total employment within firms
Job creation potential of these 705 firms	1% of 990,000=	9,900	reintegration jobs per year

Thus the 705 largest firms could, *ceteris paribus*, help reintegrate at least 2,6% of the current stock of structurally unemployed, per year.

Source: Own calculations on data from Statistics Netherlands

In 2012 there were 285 firms in The Netherlands that were larger than 2,000 employees and 420 firms that had between 1,000 and 2,000 employees. Together they employ a minimum of 990,000 persons in the Netherlands. Note that this is a conservative estimate as we took the lower bound for our calculation. For example, Philips already employs 13,000 people. If all these firms would run a program such as the WGP and would all aim to create a yearly inflow of long term unemployed of 1% of their total employment (as has always been the Philips WGP target which has been attained on average), these firms could annually offer at least 9,900 long term unemployed an opportunity to reintegrate. If we define long term unemployed as those who have been receiving either unemployment benefits (WW) or welfare benefits (WWB) for more than 12 months, the 9,900 additional reintegration jobs these 705 firms could create annually equals 2.6% of the current stock of 376,680 long term unemployed. If we include firms that employ between 500 and 1,000 workers in this calculation (there are 770 of these) and use the lower bound of 500 workers we find that the 500+ size firms can, *ceteris paribus*, create additional reintegration jobs for 3.7% of the current stock of structurally unemployed yearly. In 5 years the 500+ size firms could, *ceteris paribus*, create additional jobs for at least 18% of the current stock of structurally unemployed.

3.2 Firms and unions taking responsibility for job growth

We illustrated that more than two decades of reforms have (1) changed the nature of labour market policies from passive to active policies, and (2) shifted responsibilities with regard to social insurance from the public to the private sector. Notwithstanding a torrent of reforms, it took more than 15 years after the Wassenaar Agreement for

unemployment to be reduced to a relatively low level again, while in the same period inequality in wages and employment opportunities between low and high skilled workers increased and a new phenomenon of in-work poverty emerged. This hints at an apparently small influence the government can exert over the level of unemployment, at least when they solely rely on orthodox policy options (in a moment we will come back to what is unfortunately considered to be a heterodox policy option). Indeed, Zagha and Nankani (2005) derive from several studies, that the quality of institutions matters more for economic growth than specific policy instruments. This aligns with the main conclusions of a detailed discourse of Dutch industrial relations by Visser (1998), who finds that corporatism in the Netherlands, embodied in for example the Wassenaar Agreement, has been instrumental in the achievement of the employment growth of the 1990s. Visser (1998) stresses the importance of unions and employers acting in unison to achieve the wage moderation and reductions in working hours that were the main drivers of the economic recovery that materialized from the mid 1990s. In the same period the government flourished in piecemeal initiatives, trying countless active labour market policies which were often short lived and of limited success. As paragraph 2.4 shows, it does not help that we find government interventions and reforms to be highly related to the political business cycle.

Contrary to the volatile nature of government policy, we find the Philips Youth Work Plan (JWP) and its successor the Philips Employment Scheme (WGP) which have created additional jobs for the unemployed. Starting in 1983 with the JWP, Philips had the first private sector program that created additional jobs for the unemployed workers. It was not until 1987 that the government itself for the first time created additional jobs for unemployed workers through the so called 'Tijdelijke Voorziening Gemeentelijke Werkgelegenheidsinitiatieven voor Jongeren' (TV-GWJ), targeting only on young unemployed. However, one year earlier, in 1986, Philips had already opened up the JWP and evolved it into the WGP, creating additional jobs for unemployed workers with a variety of disadvantaged backgrounds. The first public sector attempt to create additional jobs for a wider range of unemployed was the 1989 'Experiment Additionele Arbeid' (Experiment Additional Labour). In the following years a variety of (subsidized) job creation schemes had been introduced, none of which went into history as indisputably successful and none of which lasted long. Conversely, the WGP is still in operation today and its example has been picked up by a number of other firms who started similar employment schemes. These include the 'Step2Work' program of NUON (a large utility company with approx. 5,800 employees); 'NS Werktoer' of the Nederlandse Spoorwegen (Dutch railways with approx. 11,000 employees); and the 'NXP werkgelegenheidsplan' of semiconductor producer NXP (approx. 4,800 employees). Although the numbers of participants in these other employment programs are still relatively small, the mere existence of these programs and their resemblance to the WGP lends external validity to the results of the WGP.

The Philips WGP show that firms can contribute to reducing unemployment while also benefitting themselves. This is especially important to observe in times when the government feels the need to rigorously cut social spending and privatize responsibilities for social insurance. In a sense, the government is leaving a gap which firm based initiatives such as those mentioned in this article help to fill. Such

initiatives are to be praised as they contribute to the amelioration of unemployment in the broadest sense. As such they benefit society at large and deserve to be copied by other firms. The WGP has a clear and significant aggregate potential to combat long term unemployment. We hope the stable and long lasting success of the WGP provides inspiration for other firms, social partners and the government so that they may act to develop its full aggregate potential.

4. Why is full employment nowadays an unorthodox idea?

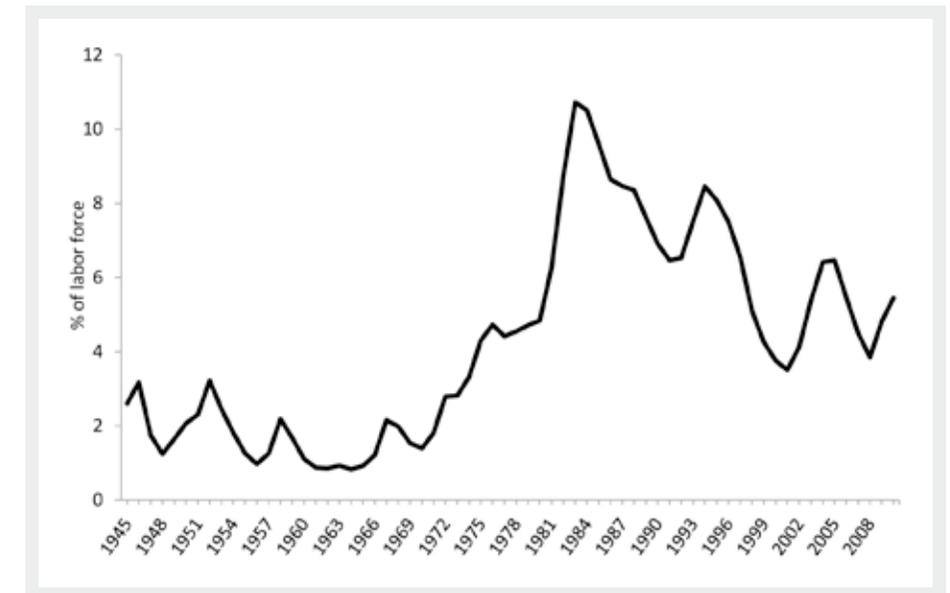
In our opinion, the often heralded ‘Dutch Miracle’ of the late 1990s economic growth and unemployment decline should be seen in a broader perspective. Even though this decline in unemployment is a good thing, there are many details that are not captured by the aggregate unemployment figure. First, it is an established fact that the vast majority of newly created jobs in the 1990s were part-time jobs (Visser, 1998), possibly representing significant underemployment. Second, the wage moderation that was the main driver of this unemployment decline, is a contested instrument. Visser (1998) draws attention to an argument of the Deutsches Institut für Wissenschaftsforschung (DIW, 1997) that wage moderation and working-time reduction are not wealth promoting but distributive policies that may lead to impoverishment, and connects this to the relative decline of Dutch GNP per capita between 1982 and 1996 compared to other EU countries. We would like to further connect this to the increasing inequality of employment opportunities and earnings between low and high skilled workers and the rise of in-work poverty in the same period, as discussed in Section 2.3. Finally, the relatively successful unemployment performance of the late 1990s is a lot less successful when we compare it to the level of unemployment in the 1960s instead of the early 1980s (See Figure 5).

This illustrates that we should put the ‘Dutch Miracle’ into perspective. Although since 1983 the Dutch constitution (Chapter 1, Article 19.1) contains the fundamental social right that ‘it shall be the concern of the authorities to promote the provision of sufficient employment’, Figure 4 shows that the government, despite the cooperative attitude of unions and firms, has not been able to provide a stable and successful employment promoting policy, let alone full-employment. In our opinion the limited government involvement in actual job creation and the fact that the Philips JWP/WGP preceded the government’s first attempt for job creation by four years, is exemplary of Gilbert’s notion of the ‘enabling state’ and the silent surrender of public responsibility. If a firm based initiative like the Philips WGP can successfully provide a job-based path back into regular employment for almost 30 years now, why can the government, with vastly more resources available, not do the same and on such a scale as to achieve full employment? This is in a sense a rhetorical question, as the development by which many governments have abandoned the pursuit of full employment have been described in detail by for example Mitchell and Muysken (2010). Besides giving a detailed discourse of the observed abandonment of full employment as a policy objective, Mitchell and

Muysken (2008, 2010) argue that the introduction of employment guarantees should be a central plank in modern macroeconomic policy. Detailed explanations of how such a Job Guarantee (JG) is designed and embedded in the macroeconomy are presented as well and form convincing and compelling study material. What adds to the JG proposal and what may help convince those that inaccurately think a JG may involve ‘too much state’, is that firms have a large potential to be part of the solution, as the example of the WGP shows.

Hopefully this may help inspire policy makers, economists and social partners to put full employment back on the agenda and consider the development of a JG program with involvement of firms and unions and therewith finally honoring the fundamental right to sufficient employment and the government’s responsibility herein as stated in the Dutch constitution. Hardly any country in the world might provide a more suitable birth ground for the return to full employment than the corporatist Netherlands.

Figure 5: Unemployment in the Netherlands 1945-2010



Source: Statistics Netherlands

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