
Dutch Welfare: A Case Apart

Arjo Klamer



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Arjo Klamer is professor in the Economics of Art and Culture, Erasmus University and Research Professor, The George Washington University.

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Introduction

The American students were perplexed. They had come over from a prestigious Southern university to take a summer course in Dutch economics. Exploring the coffeeshops in Amsterdam they noticed a large number of adult men on the streets in broad daylight. The reason must be unemployment, they figured. Then they found out about the unemployment benefits. These amounted to seventy percent of the beneficiary's last salary and remained at that level for up to two years. To the Americans it seemed excessively generous. They became intrigued, to the instructor's delight, and subsequently found out about the protection that Dutch law offers employees and the high cost of labour due to the generous Dutch welfare system. This economy is a disaster, one of them exclaimed at one point. The waste, the generosity, the tough labour laws: it couldn't possibly work.

These students saw and heard Dutch society through an American filter. They may have picked up something from the American media which, until a few years ago, regularly featured the Swedish case as an example of an overindulgent and overgenerous welfare state. Holland they knew from reports about its liberal policies with respect to drugs and euthanasia. As a Northern-European country, it should be similar to Sweden, many

Americans think. The Dutch, after all, are as tall and blond as the Swedes. Hence, it was not odd for these students to expect the Dutch to be as generous with their welfare as the Swedes. Given their economically oriented mindset – most of these students majored in economics – it made sense for them to presume that generous benefits discourage labour participation, that tough labour laws stifle business and reduce efficiency, and that the provision and management of welfare leads to oversized governments and excessive tax burdens. The logical next move is to predict disaster. That is also the move that most of the media reports make. Such bloated welfare systems don't work. Wasn't the Swedish welfare system already collapsing?

Plausible as these observations are, these students failed to register the relatively high standard of living that they saw in Amsterdam. Like Sweden, the Netherlands does reasonably well in the ranking of GDP per capita; it does even better in the ranking of the human development index of the United Nations. In case they did not know that, they could have seen it for themselves. For the unemployed Dutch people were overall well-dressed and the city as a whole looked clean and prosperous. No potholes here, and hardly any homeless and pan-handlers. The people seemed happy and, strangely so, willing to pay their high taxes. How is all that possible? Why is the Dutch economy not collapsing under the burden of its welfare system? Why do the Dutch not revolt against their tax bills, as the Americans would do? From an outside perspective the Dutch case is puzzling.

The outside perspective, however, is not entirely off the mark. The anticipated problems of a laggard economy, a rigid labour market, and a government budget that risks getting out of hand, all apply. Unemployment is high and ever more people tend to stay out of work for long periods. The costs of the system are weighing heavily on those at work causing business leaders to exclaim that they cannot compete with foreign producers for much longer. Too many Dutch people are sick and disabled; too low a percentage of the Dutch is part of the labour force. An aging population threatens the financial soundness of the pension system. As a consequence doubts among the Dutch about their welfare system are increasing. Calls for reform are becoming louder every year. The government appears to be

listening, if it is not feeding those calls. Reform of the welfare system is at the top of the agenda. The criteria for benefits are getting tougher and parts of the welfare system are being privatised. The Dutch are moving in the American direction. At least so it seems.

One purpose of the following survey of the Dutch welfare system is to characterise it. How generous are the Dutch really? We will subsequently view the welfare system in its macro context to find out what impact the welfare system has on the Dutch economy. How is that economy doing, really? We will go back some time into the Dutch past to find out that the Dutch system is typically Dutch with strong roots in (classical) liberal and christian traditions. The key is the metaphor of the family. This accounts for a strong sense of solidarity that continues to undergird an unquestioned commitment to the basic security of every member of the Dutch family. In the light of this metaphor the reforms that are under way can be viewed as the re-assertion of the father-figure, which has been in the background during the hegemony of the caring mother-figure over the last few decades. The loving and tender care of the mother figure has made life for the weaker members bearable and relatively secure but it may also have made them dependent upon this care and weakened their ability to participate in productive activities. Consequently now the father figure is stepping in to remind all the Dutch, including the weaker ones, of their responsibilities to society as a whole. It constitutes an unsettling stage in the saga of the Dutch.

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Research Park, De Haak
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