

# *Life-course schemes and social policy reform in the Netherlands*

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## *Abstract*

*The increasing share of the service sector, the up-grading of qualifications levels, the knowledge intensity of production processes and the feminisation of the labour market result in a new balance between individual and collective labour relations. The standardised sequence of education, working and retirement has evolved into an erratic and less-predictable labour market pattern, which leads to a change in the nature of social risks. In the literature, two models of management of social risks are being distinguished. In the transitional labour market model, which may develop under conditions of extended labour supply, people switch between paid work and other societal domains, such as care, domestic work, training and retirement. In the so-called ‘combination’ model, which in the Netherlands has emerged under conditions of labour market shortage, people fulfill several social roles at the same time. In line with this debate, the paper puts the conflicts over and introduction of the life-course schemes in the Netherlands in the discussion on the current reform of the corporatist welfare state.*

9000 words

## **1. Introduction**

The academic and political worlds are engaged in a profound debate about the life-course (or lifespan) and the opportunities and rights accruing to individual members of society.<sup>1</sup> However, the relationship between employment patterns and the lifespan changes over the

course of time and differs from one country to the next. Someone's job opportunities are closely related to the generation in which he grew up and the tools of social policy deployed to enhance those opportunities.

Researchers who study the lifespan can be divided into several different schools of thought. Broadly speaking, we can group these into two camps, the first concentrating on qualitative, biographical research and the second on quantitative research involving analyses of cohorts and life events.<sup>2</sup> To begin with, we have bibliographies of research on how groups develop in a society. Such studies bring together data on the life and job opportunities of certain persons or groups of persons within a specific social context, based on biographical and narrative research methods. Heinz and Krüger (2001) refer to Thomas and Znaniecki's study of Polish peasants who immigrated to the USA (1920) as the pioneering work of this school. Researchers use interview techniques, oral history, private documents, letters, diaries and other ethnographic research methods to analyse, describe and interpret the choices made by individuals within their social environment and the labour market.

Secondly, we have quantitative studies that make use of systematic, longitudinal data to survey the significance of education, gender, ethnicity and social status in determining the life opportunities open to individuals in particular cohorts. Time series data can help to establish the relationship between date of birth, time spent in education and at which level, departure from parental home, marriage and birth of children, division of labour between the sexes, and entering and leaving the labour market, so that it is possible to analyse inequalities between groups in the labour market and between generations.

As Heinz and Krüger assert, both schools have flourished and are communicating with one another with growing frequency. In addition, since the mid-eighties researchers have been interested in the role that "institutions" play in the development of life patterns. Institutions such as the family, organised religion, the educational system, the labour market and the social policy of the welfare state have standardised employment patterns, which as a rule can be divided into three phases: training for employment, employment and retirement (Kohli 1986; Heinz and Krüger 2001).

We can break down this standard pattern into its constituent elements when we consider the relationship between the nature of the welfare state and the employment participation rate of men and women (Esping-Andersen 1990; 1999). Not only does the employment participation rate of men and women differ sharply from one country to the next, but in conservative-corporatist welfare states such as Germany and the Netherlands, clear

gender distinctions used to exist: men had careers and women took care of the home, with the social insurance system being based on the male breadwinner model (Sainsbury 1996).

The rise of new employment patterns in organisations has put tremendous pressure on such welfare states (and in the Netherlands much more so than in Germany) to alter the institutional arrangements. The traditional institutions of the family, the church, the labour market and the state are changing. The process of modernisation is giving rise to more varied forms of cohabitation; standards and values are becoming more differentiated; and people switch partners, jobs, employers, homes and social preferences more easily than they used to. These developments put varying pressure on the demands for welfare entitlements, with clear generation effects.

Some researchers suggest that people will no longer go through the stages of learning, paid employment and retirement sequentially, but to some extent simultaneously (Heinz and Krüger 2001). As we will explain at greater length in this article, the reason for this change in the Netherlands is that people are living longer and organisations are deploying employees according to different patterns than before. Gradually, more and more people are simultaneously learning and working, combining work and care tasks, switching between paid and unpaid employment more regularly, working both as an employee and as self-employed, taking semi-retirement, and so on (see for example SCP, 2004). This development, which in the literature is described in terms of a 'transitional labour market' (Schmid, 2000), in the Netherlands above all has the nature and related problems of what has become called a 'combination scenario' undertaking several responsibilities at the same time. As a consequence, the persons involved are open to an accumulation of social risks. Esping Andersen (1999) has developed a typology of social risks that has been reinterpreted by Günther Schmid and Klaus Schömann (2004) in terms of a more dynamic discussion of class, life-course and intergenerational risks. These authors have put the management of social risks at the policy agenda in order to guarantee income maintenance, to reduce income volatility, to raise income security, to keep income capacity, and to protect intergenerational risks.

In this article we relate the management of social risks to the debate on the adjustment and recalibration of the welfare state (Ferrera, Hemerijck and Rhodes, 2003). We discuss why the lifespan is such a hot topic these days and what policies are being considered to achieve a fairer distribution of job opportunities. We evaluate the current development of employment patterns and the nature of the policy and tax reform that the government currently is aiming at. The question we answer is which social actors define the management of new social risks as their responsibility and how the introduction of the particular life span scheme can be

evaluated in terms of policy reform of the Dutch corporatist welfare state. The paper is organised as follows. Section two will describe how the lifespan debate has unfolded in the Netherlands. Section three looks at labour market developments inside organisations and section four deals with the new associated social risks. Section six explains the introduction of the lifespan scheme. Section seven, finally, will review our main arguments and assertions.

## **2. The lifespan controversy in the Netherlands**

The Netherlands' renewed interest in the lifespan at the end of the 20th century must be seen within the context of women's liberation and the participation of women in paid employment. Women began to battle for an independent position in society at the end of the 19th century, but it was only long after the Second World War that the traditional division of housework and paid employment between the genders changed.<sup>3</sup>

Unlike in most other European countries, the second surge of feminism at the end of the sixties focused mainly on women's right to self-determination (Ribberink 1998). The popular pro-abortion slogan *Baas in eigen buik* ("Boss of my own body") is a good example of what this movement stood for.<sup>4</sup> At the same time, and unrelated to the feminist movement, women began in the early 1960s to enter employment in greater numbers when the first part-time jobs were created in a very tight labour market. Philips' management said it best in 1961: "We'll just have to bite the bullet and hire married women in part-time jobs."<sup>5</sup>

It was not until the 1970s and 1980s that women's financial independence and equal access to paid employment became major issues. The Netherlands trailed other countries in seeing a rise in the employment participation rate of women by cohort only as late as 1975 (OECD, 1993: 192). As we will explain later, the improving economy and broader acceptance of part-time work in both upper- and lower-level positions meant that the female employment participation rate rose to new heights.

Until the 1970s, the Dutch pattern offers a good example of the conservative-corporatist welfare state regime, which links a strong emphasis on family and a low female employment participation rate to far-reaching social welfare provisions and to highly influential social partners (Esping-Andersen, 1990: 26-29). The overwhelmingly universal nature of the provisions reveal the influence of the social-democratic regime on the Dutch welfare state.

As the economic crisis of the 1980s became entrenched, the combination of corporatism and social democracy came under increasing pressure from the liberal welfare state regime. Provisions became less universal in nature and were scaled back to only the minimum safety net. Responsibility was shifted increasingly to the individual and market forces were allowed freer rein, something made possible by a rise in private wealth among ever-larger groups of individuals. Prosperity was in fact on the rise, despite minimal real growth in individual incomes, because the number of incomes per household was increasing. In 1986, not even a third of all households (30%) had two or more incomes; by 1998, that figure had risen to more than half (56%) (SCP: 2000).

The rising employment participation rate among women is therefore by far the most important medium for change in the Dutch welfare state since 1980. What is striking about the hybrid nature of the Dutch welfare regime is that unadulterated neo-liberalism did not get the upper hand. Visser and Hemerijck (1998) have already pointed out that the downsizing of the Dutch welfare state is by no means absolute, nor can it be described as an about-face from a social democratic to a liberal regime. For example, in many important respects the universal nature of the old-age pension provision has been retained: virtually everyone still has access to a combination of state pension and supplementary company pension as in the social democratic model (SER 2000).

Nor will it be left to the market to compensate for the impact on home and family life of the rising number of working women. Mainstream childcare is mainly a quasi-public facility and it is therefore not keeping up with demand. A popular alternative among the Dutch is the “combination scenario”, with childcare and family duties being combined with shorter working hours.<sup>6</sup> The 1980s and 1990s saw an increase in the number of both male and female part-timers, rising to what is considered internationally as quite a large percentage of the working population.<sup>7</sup> The fact that people are choosing to work part time for personal reasons does not mean, however, that the work/life balance is not increasingly regarded as a problem. In that respect, the emphasis on family relationships that is so characteristic of conservative-corporatist regimes has remained a constant factor in the Dutch welfare state, even in more neo-liberal times.

The call for more provisions to facilitate the work/life balance led in the 1990s to an increase in the number of official leave arrangements. After pregnancy and maternity leave had been extended, statutory schemes were introduced for parental leave, emergency leave, short-term care leave and palliative care leave (SER, 2001: 68). On the one hand, these provisions are intended to guarantee employees' right to interrupt their working lives to take

up duties of care; on the other hand, they were meant to compensate for the resulting loss of income. Three parties are responsible for compensating lost income during leave: the employer (obligation to continue payment of wages), government (unemployment benefits), and the individual employee (lower wage).

The proliferation of leave arrangements, some of which were in line with European legislation, illustrates not only how important the work/life balance has become, but also that the government is thought to be responsible in some way. The increase in the number of part-time jobs may well be the result of individuals coming up with their own solutions, but society has not yet solved the general dilemma of how to combine work and care duties. The pressure on the social insurance system to cover “new social risks” is increasing (see Leijnse 2001, Leijnse et al. 2002). However, the traditional system – which is based on reciprocal insurance against external risks – is resisting the inclusion of such self-chosen “manufactured risks”, to quote Anthony Giddens (1994). At the same time, public debate is increasingly focusing on the problems associated with the preponderance of dual-earner households and the work/life balance. The traditional view of the family is being transformed by research revealing the sharp decline in purchasing power when couples have children and by the notion of the “rush hour of life” between the ages of 30 and 60 (NGR 2001a, 2001b; Ester and Vinken 2000). The rising number of burn-out and occupational disability cases among young women with children shows how important this debate is (SER 2003: 53-54, 62-64).

Although the debate on new social risks would seem to have had no impact on the traditional social insurance system, the system itself has been the subject of almost continuous review for several years now in the struggle to cope with the choices employees are making to combine work and care duties as they see fit. The biggest and most immediate consequence of those choices is an irregular employment pattern, leading directly to a loss of entitlements in a system based on career continuity and final salary pensions (Koopmans et al. 2003: 20-21). The resulting proliferation of “repair legislation” clearly demonstrates that careers are gradually becoming more differentiated in nature. Not only is continuity and the gradual accrual of entitlements no longer the rule, but the nature of the career interruptions and the reasons for them are also becoming more varied. The question is whether enacting one repair law after another is the solution, or whether the very foundations of the social insurance system should be made more dynamic (Leijnse et al. 2002: 9-11). Even the old social risks of illness, occupational disability and unemployment mean something else in the new employment patterns than they did in the past.

The work/life controversy and the constant pressure to repair social insurance legislation have brought home the idea that there is more at stake than a superficial change in social preferences. It is slowly becoming clear that the “feminisation” of employment has broader consequences than a mere increase in the number of women in paid work. The place and significance of work in the lives of both men and women have changed, while the concept itself has become less clearly defined and less consistent. Paid employment is now regarded as being instrumental to a more meaningful existence, with employment patterns therefore becoming less regular and with a greater variety of options available. Transitions from one occupation to another and long-term combinations of work and other activities, such as care duties and training, are becoming more and more significant. Such transitions and combinations are increasingly being determined by the individuals concerned (Winsemius et al. 2001).

The German labour market sociologist Günther Schmid has summarised this trend in his concept of the “transitional labour market”, which encompasses both analytical and normative observations. The argument presented by his model is that it should be easy for working people to move back and forth fluidly between paid employment and other social domains such as education, care, volunteer work and retirement. Schmid is in favour of uncoupling social insurance and the employment relationship and believes that we can achieve differentiation in employment patterns by offering a sufficient level of income security, so that employment is distributed as fairly as possible among the largest possible number of people, who would all work an average of 30 hours a week (Schmid 2000; see also Korver and Oeij, 2003).

It is at this point in the debate that the concept of the “individual lifespan” makes its appearance (SER 2001). Until recently, the main emphasis in the debate had been on how to change jobs and the social insurance system to allow for the growing employment participation rate of women. Introducing the “lifespan” concept, however, means shifting to a new perspective altogether, one in which neither men nor women see employment and career as the only reference points for their life choices. Increasingly, their chosen employment patterns are regarded within the context of broader lifespan choices in which personal development, family relationships and the care and raising of children are at least as important (Winsemius et al. 2001). Moreover, those lifespan choices are dynamic over time; patterns vary and can easily change from one life phase to the next. The lifespan is regarded as an individual project, one in which employment may not necessarily be dominant (Koopmans et al. 2003).

### **3. New employment patterns**

The rise of the lifespan theory must be seen within the context of changes in the structure of employment in recent decades. Working life has changed dramatically in the Netherlands in the past forty years. The most striking change is the shift from an agricultural and industrial economy to a service economy. In 1960, 55 percent of all workers were employed in farming and industry and 45 percent in services. By 1994, the ratio had been completely reversed: 28 percent worked in farming and industry and 72 percent in services (source: CBS-statline). This shift led in part to a considerable increase in the number of white collar jobs and a dramatic fall in the number of blue collar jobs, a trend that was accelerated by the automation of industrial processes, which brought about a further shift from operational work (largely blue collar) to planning and process control work (generally white collar).

Both industry and the service sector are making ever-stricter demands on employee qualifications (De Beer 2001; Steijn, 2001). The number of academic or upper-level positions is increasing and the number of middle segment positions is decreasing, although the pool of jobs at the lowest levels has remained constant. The simplest jobs, which require only minimal qualifications, are disappearing because they are relatively easy to automate. They are being replaced in some areas of the B2B sector by low-skill jobs, but these often involve a great deal of customer contact and therefore generally require good social and communication skills (Hövels et al. 1998). Employment growth can be found mainly in the middle and upper segments, precisely where, after the economic crisis of the 1980s, there were and are growing shortages of labour (ROA 1999). The shift to a service economy, combined with constant pressure to “upgrade” and enlarge the remaining low-skilled jobs, has led to a decline in the number of routine, standard jobs. In the past twenty-five years, the percentage of employees doing monotonous, hazardous work has declined and employees have generally been given more autonomy on the job. There have been few if any changes when it comes to other aspects of the quality of work and opportunities for personal development. More and more jobs across the board require workers to be flexible and to accept more responsibility than in the past (De Beer 2001).

It is obvious that such changes in the qualifications structure of employment have run parallel to the growing level of knowledge intensity in production. In the final decade of the 20th century, knowledge became the most important factor of production. Economic growth

today depends less on natural resources and more on the availability of knowledge and the skill to use it effectively. At its summit meeting in Lisbon in the spring of 2000, the European Council committed itself to this idea by undertaking to make Europe the world's most dynamic and competitive economy by 2010.<sup>8</sup> Knowledge intensity is a key factor in this endeavour, but knowledge requires human beings, regardless of the form it takes. Generating new knowledge through research, but also organising and combining existing knowledge, and disseminating and applying it, are essentially social processes carried out by people (Gibbons 1994). The lonely inventor has become an anachronism in a time when the economic significance of knowledge is growing. Knowledge is almost an all-pervasive factor in employment. It is becoming increasingly harder to define precisely what a "knowledge worker" is (Min EZ 2003).

Alongside the shift to a service economy, the trend towards upgrading and knowledge intensification, there has been a fourth unmistakable trend in employment in the past forty years: the "feminisation" of employment. The employment participation rate of Dutch women has increased steadily since the mid-1970s. In 1975, the Netherlands was well below the EU and OECD averages with a 48% overall employment participation rate measured in numbers of workers (26 percent for women and 71 percent for men). By 2002, that figure had increased to 63 percent (72 percent for men and 54 percent for women), giving the Netherlands a much higher place in the rankings and showing evidence of greater gender equality in the labour market.<sup>9</sup> Women are catching up, in other words. It has, however, been pointed out that a relatively large number of working women (more than 70%) have a part-time job, meaning that women account for a considerably smaller share of the participation rate when measured in total number of years of employment than is suggested when measured in numbers of workers (Visser 2001).

What is also notable about the increase in the supply of labour in the 1990s is that, unlike in the 1980s, job growth during the two coalition governments under Wim Kok benefited women and men aged 50 to 64, flex-time workers and graduates of higher education. In particular, women aged 25 to 49 and immigrants from Surinam, the Netherlands Antilles and Aruba profited from the spurt in job growth in the second half of the 1990s, whereas young people under 25, low-skilled workers and the self-employed gained fewer advantages, relatively speaking (SCP 2001: 59-75).

The sharp rise in the female employment participation rate, the increase in part-time work and certain demographic trends have also influenced the composition of household incomes. Research conducted by the Netherlands Family Council (NGR) shows that people's

lifespans are taking on different forms today than in the past. A growing number of people (20%) remain childless, 10% involuntarily (NGR 2001a: 47).

The Netherlands Family Council has identified two new phases in the new lifespan, alongside the traditional trio of learning, working and retirement. To begin with, young adults no longer start a family immediately after leaving home; instead, they tend to live on their own or cohabit with others between the ages of 20 to 30 before starting a family at around 30 years of age. The second new phase can be explained by the increase in average life expectancy and the overall improvement in public health. These demographic trends have resulted in “old age” being shifted to a higher age bracket and in a new phase being introduced between the ages of 55 and 75, when couples are on their own again after their children have left the nest (NGR 2001a: 68).

Another significant trend is the decline of the traditional single breadwinner model and the rise of the “one-and-a-half breadwinner” model, in which two persons work the equivalent of one-and-a-half jobs and combine work and care duties (Visser 2001). What is notable about these families is that on average, the men account for almost three-quarters of the household income, whereas the women, who work in part-time, lower-paying jobs, contribute more than a quarter of the household income. This is to some extent the legacy of the low female employment participation rate in the Netherlands and the Dutch preference for the combination scenario, with part-time employment being used to make a better work/life balance possible (NGR 2001b).

The larger – and increasing – number of women in the workforce is also having a qualitative impact on employment. Because women have different preferences than men, the feminisation of certain occupations is leading to a shift in working patterns. For example, the working patterns of doctors and the division of labour between them and nurses is changing (and a new position, the “nurse-practitioner”, has been created) because women now account for a larger share of this occupational group and they have different attitudes towards availability and working hours than were prevalent in the past.<sup>10</sup> The feminisation of employment has consequently been a much broader, sweeping process than a mere rise in the percentage of women who make up the active labour force.

The changes in the nature and structure of employment described above also mean that employees are not as interchangeable as they used to be. Employability has become an individual attribute, one in which the employee’s personal preferences play a more important role. Not only do employees today have different attitudes towards work than their forebears, but the meaning that work has in their lives has also changed. In fact, scope has been created

for this to happen. New, tailor-made personnel policies, the delegation of responsibility to individuals, and the growing emphasis on output (rather than on attendance at work) has given employees the scope to assign a different meaning to paid employment in their lives. The meaning of work is increasingly defined by the personal development opportunities that working affords, and by the degree to which the obligations associated with employment fit in with a broader pattern of social activity. Paid employment is becoming part of a broader individual lifespan project.

Qualitative changes in the organisation of work have boosted the employee's position in the employment relationship. That position was further enhanced by a structural shortage of labour, particularly in the middle and upper segments of the labour market, in the 1990s. The current economic downswing has led to some easing of the labour market situation, but there is an undercurrent of continuing tightness when it comes to secondary school and university graduates. The most important reasons for these structural shortages are demand-driven factors that are relatively unaffected by economic fluctuations: the acute demand for labour to replace the ageing population of workers and the continuous upgrading of jobs (ROA 1999: 20-35). Growth will be levelling off on the supply side, with the coming generations of school-leavers remaining virtually constant in size and the employment of women reaching saturation point. We can look forward to years of very moderate growth in the supply of labour, set off against a sharp demand for replacement labour as job requirements become even stricter. In such conditions, it is only logical that employees will secure an even stronger position in the employment relationship.

#### **4. New social risks**

Trends in the labour market are causing risks to shift between groups. New social risks and changing attitudes to older risks are making it inevitable that individuals will have to take more responsibility within the social insurance system. The Dutch welfare state has traditionally focused on protecting the male breadwinner against external risks, such as occupational disability, unemployment and old age. Social insurance protected the family as soon as it came under threat. The disappearance of the single breadwinner, the growth of new forms of cohabitation, and the rise in the number of dual-income households are undermining the need to protect the single breadwinner. Moreover, the question is whether these risks are really so external after all. Today, social risks increasingly come down to personal choice and individual action (Giddens, 1998). By investing in schooling and training, for example, one

can reduce the risk of unemployment. One can also insure oneself in all sorts of ways against the risks of occupational disability and old age.

At the same time, the changes in employment patterns have thrown up new risks that affect people on an individual level, but that are so prevalent that they can be regarded as a collective phenomenon or societal trend. These are risks that used to fall within the private domain, such as child-rearing, caring for family and personal development (Leijnse et al. 2002). For example, knowledge is becoming increasingly important in organisations, but paradoxically it also becomes obsolete more quickly, making it essential that the labour force continuously updates its skills. People will attend training courses more often during the course of their careers. Those who do not work will not be keeping their human capital up to standard. Those who do work will find themselves having to combine too many tasks in the “rush hour of life”; they will be facing too many demands and will suffer burn-out. In addition, collective arrangements that once offered a safety net will no longer be a matter of course. Such problems can no longer be regarded as “private troubles” alone; their prevalence in society has turned them into “public issues” (based on Wright Mills 1951, quoted in Schuyt 1997: 60). In other words: changes in employment patterns and the lifespan, the management of new social risks and the future of the welfare state are all closely intertwined.

In the past ten years it has become clear that the Dutch social welfare state is more flexible than many observers had surmised. Employment and social policy have been given a prominent place on the political agenda. But there are other items that merit a place on that agenda as well. Within that context, two contrasting, short-term scenarios have emerged. On the one hand, there is the idea of the transitional labour market, in which people switch from one life domain to another in succession, first working, then studying, then caring for children, loved ones or elderly relatives, then working again, and so forth. The other scenario proposes that such life activities will be combined and carried out simultaneously. The meaning of paid employment will change in that event as well, and working people will need to find new ways of achieving a good work/life balance. The combination scenario is obviously the more interesting one in a tight labour market, as became clear in the Netherlands in the late 1990s, whereas the transition scenario will be easier to achieve when the labour market has eased.

##### ***5. Trade unions and social demands***

The past few years have seen the rapid disintegration of standard employment and career patterns, partly owing to a growing process of differentiation in society. Just as lifetime marriages have given way to fleeting relationships and serial monogamy, so too has the job-for-life been superseded in part by an erratic pattern of transitions and combinations. Standardised collective schemes, for example those regulating early retirement, are no match for the pressure exerted by growing diversity and disappear almost as quickly as they are put into place. The demand for a broad package of provisions that will facilitate individual choice is growing quickly. At the same time, collective agreements are introducing individual choice systems to replace the generic assignment of entitlements. And “care in the community” requires more leeway in granting leave – something that present-day schemes do not offer.

The key concepts in the public debate about the future of social insurance are “external risks” and “susceptible risks”. The aim of policy is to introduce measures that will take the pressure off during the “rush hour of life”, when people are raising children and have less money and time at their disposal, and to make better use of older people in the labour market than is now the case. At the same time, it is vital that human capital should be maintained and upgraded in all the various life phases.

One important difference with respect to the past is that the more powerful position of workers is expressing itself more in individual than in collective action. In the 1960s and 1970s, the tight labour market led to considerable upward pressure on wages, sometimes in response to widespread strike action. As workers lost clout in the 1980s when the Dutch economy was restructured, this pattern disappeared. However, when the unemployment figure fell after 1995, the tightness of the labour market became more structural in nature and the concentration and the structure of workers’ power had changed dramatically. It was no longer blue-collar workers in industrial sectors who gained strength from the limited supply of labour – something that would have complemented the existing organisational pattern of trade unionism. Today it is the individual knowledge worker who has the power. His increasing mobility means that he can demand better employment terms, and that is much more an individual phenomenon than a collective one.

Trade unionism has responded to the change in the power structure by shifting its main focus from collective action and wage demands to other matters. Nowadays, Dutch trade unions concentrate on facilitating personal development. The first hint of change was the decision to put a portion of the wage and salary bill negotiated under collective agreements into training and development funds (*Opleidings- en Ontwikkelingsfondsen*) in each branch of industry. Some years later, the Personal Development Plan (PDP) and Personal Development

Account (PDA) introduced new concepts that offered a better response to employees' putting personal growth at work at the top of their priority list. The unions are also working on an employability agenda that will not only consider immediate employability, but also the employee's prospects for promotion and mobility (FNV 2003).<sup>11</sup>

When it comes to the work/life balance – employees' second priority – the unions made efforts in the 1990s to expand statutory leave entitlements, supplemented by collective bargaining arrangements concerning the payment of wages during leave. These measures are relatively inflexible, however: they focus mainly on childcare and child-rearing, are limited in scope, and make no allowance for the growing list of different employee wishes on this point. For example, the existing schemes make almost no provision for the increasing incidence of “care in the community”, in which employees are obliged to care for loved ones and elderly relatives while continuing to work. What is required is a switch to more generic provisions that can be tailored to the individual situation. “Save-as-you-earn” leave and lifespan schemes may well be the answer, and indeed since 2001 the trade unions have become increasingly interested in such measures (Leijnse 2001: 24-27).

The Netherlands did not witness the rebirth of collective action until the summer of 2004 when the unions massively have opposed the government proposals on the revision of social security. In these proposals the government above all wanted to safeguard the participation of the elder part of the work force by curtailing the access to and fiscal support of collective early retirement provisions. In exchange it introduced an individually based lifespan scheme that would facilitate employees to manage labour market transitions. The legal conditions of this taxation reform did only infuriate the unions, but also employers associations, banks, pension funds, advisory board to the government were affronted.

### ***6. The policy debate on the introduction of the lifespan scheme in 2002-2004***

Lifespan schemes create general scope for personal development and care duties by making it possible for individuals to stop working or to work part time while continuing their original employment relationship and providing for some or all of the loss of income. The basic idea is that people can reserve a portion of their income to offset losses of income in the future. The reserve is used is to make significant life choices possible; because these cannot be predicted in advance, flexibility in the use of the reserve is essential. Although the lifespan scheme is based on the idea that employees must take responsibility for their own decisions, virtually all

of the individual choices involve a public interest, thereby legitimising the intervention and support of the government. The government puts a regulatory framework in place for collective lifespan schemes. It can also encourage employees to participate in such schemes by applying a delayed taxation system: contributions to the reserve and the assets accrued are tax-free, but any withdrawals from the reserve are taxed. The delayed taxation system does not, incidentally, offer a tremendous tax advantage; the difference between the deduction applied when the contributions are made and the tax charged at withdrawal is usually minimal. Finally, the government could conceivably subsidise accrual or withdrawals for specific purposes, in order to encourage individuals to make certain choices when a major public interest is at stake.

The basic principle is that the responsibility for using the lifespan scheme is the individual employee's: it is up to him or her to decide whether to accrue entitlements facilitating leave and providing for a loss of income, as well as the kind of entitlements. Such responsibility fits in with the idea that the lifespan is basically an individual project, in which a career is one of a number of social activities that are interrelated at individual level. The lifespan scheme does not prescribe the choices that an individual makes concerning his or her personal development and duty of care to others, and the associated choices with respect to availability for work; these choices are facilitated at individual level. The facilitating nature of the scheme makes allowances for the growing variety of wishes that employees are expressing on these points, as does making the employee bear the main responsibility for the accrual of entitlements. The government and the employer do, however, play a significant role in creating the necessary conditions.<sup>12</sup>

Whether a lifespan scheme proves appealing and is in fact used depends largely on those conditions. To understand why it is important to introduce enough scope for choice and to maintain the principle of solidarity in the social insurance system, we must look at two key features of the Dutch pension system: firstly, its "triple pillar" structure, and secondly the transition (starting in 1995) from a pay-as-you-go (PAYG) system to a fully-funded system at early retirement. The first "pillar" of the pension system, based on the PAYG method, consists of an old-age pension. In the second pillar, employees save under a collective agreement at industry or company level. In the third pillar, people themselves put away for a supplementary private pension. Lifespan schemes would fit in well with the second pillar if collective agreements were to include a fully-funded group pension from which individuals could claim benefits at fixed intervals. Early retirement is one way of spending *leave* that employees have accrued throughout their working lives, but there are other ways as well;

early retirement will also be one of the ways of spending the *salary* that employees have saved.

After the Ministry of Social Affairs and Employment presented its policy document *Verkenning Levensloop* [Foresight Study on the Lifespan] (Min SZW, 2002) under the Kok Cabinet in the spring of 2002, the two Balkenende Cabinets came up with a number of prudent variations on the lifespan scheme. The public debate began with changes to the existing “save-as-you-earn” leave schemes and salary savings schemes that made them less appealing to employees. The Cabinet also suggested introducing “time-banking” to allow employees to save up for leave. Then the coalition agreement of the second Balkenende government included the lifespan scheme. The decision-making was postponed several times until the summer of 2004 to give the trade unions and employers’ associations a chance to express their views on the Cabinet’s plans. After protracted negotiations with the Cabinet, however, the unions and employers’ associations failed to reach agreement.

In effect, the Cabinet’s plans boil down to scrapping early retirement schemes by cancelling any associated tax relief and removing the obligation on employees to save up for early retirement, as stipulated in many collective agreements. Instead of early retirement, the Cabinet is introducing the lifespan scheme. Unlike the collective obligation to save for early retirement, the heart of the Cabinet’s proposal is an individual savings scheme. Employees may set aside no more than 12% of their gross wages and up to 150% of their annual income and use that money to finance leave to care for children or other family, to go on courses or to take early retirement.

During the annual tripartite talks on 18 May 2004, the government and the employers’ associations voted in favour of early retirement at 62½ years of age and on a new “life span scheme”. The unions voted against the proposals. The government responded by threatening to implement the measures unilaterally (and with less advantageous early retirement rights). The unions rejected the agreement, however: they felt they had already sacrificed enough by agreeing to the wage freeze for 2004 and the government’s economy measures (for example with respect to occupational disability benefits). Their opposition was not so much to the new minimum age for early retirement (62 or 62½) but more to the government’s opt-out clause allowing individual employees to choose not to pay into early retirement schemes. The unions contest the opt-out nature of the scheme, which they see as undermining solidarity between the generations. They claim that the scheme is too insubstantial (because the government does not intend integrating other savings schemes into it) and that the proposals will only benefit the well-to-do. Another complaint is that there is no relationship between the lifespan scheme

and leave entitlement granted by law or under collective agreements. Moreover, the unions claim, own-account or self-employed workers cannot make any use of the scheme. According to the FNV, this departed from the notion of 'collective' early retirement arrangements and therefore eroded solidarity between the generations. The FNV then balloted its members in a massive referendum among its rank and file and they rejected the agreement.

After the negotiations failed, the Government aimed to act unilaterally against the will of the unions by drafting the proposal on the fiscal treatment of early retirement and introduction of the lifespan scheme (*Wet aanpassing fiscale behandeling VUT/prepensioen en introductie levensloopregeling*). In addition, it proposed to lift the general extension mechanism of collective bargaining in case wage increases in particular sectors of the economy are higher than zero percent, which may cause damage to the stable relations between both unions and employers associations in these sectors.

It should be noted that not only the unions, but also several smaller employers associations and especially those in the metal industry were *stupéfait* after the manifestation of arrogance by the government, which was not considering the individual capital accumulation provision already implemented in the several sectors, such as the metal industry. During the period from May to August 2004 several employers attempts to repair the negotiations on the early retirement have been initiated, which all failed.

The unions claimed a moral victory when the Council of State (*Raad van State*), the highest advisory council of the government, has disapproved the Draft Act on Early Retirement. The Council deprecates the complicated double tax system (on both the premium contributions and the benefits) as foreseen in the Act, which aims to discourage early retirement. According to Doekle Terpstra, president of the national union CNV, this objection is 'not only a juridical judgment, but also a first class political statement' against the government (NRC Handelsblad, August 18<sup>th</sup> 2004).

On September 7<sup>th</sup>, the trade unions interrupted their regular contacts with the government and the employers associations. In response, the Minister of Social Affairs and Employment sent a mediator to evaluate the opportunities to repair the negotiations. At the same time, several financial actors, especially banks, insurance companies, pension funds (where the unions have a 50% say in its corporate governance) disapproved the reforms. For these organisations the opening of the market for social security including the proposals for a lifespan and early retirement regulation potentially is a beneficial opportunity. An average Dutch family spends 114 out of 1000 euro to several insurances; this share will probably rise when the government proposals for an individual risk management for disability (3 billion

euro premiums on an annual basis) and early retirement (where 30 billion euro is accumulated) will be implemented (data for 2002, cited in NRC-Handelsblad October 26<sup>th</sup>).

After the second largest national unions manifestation after the second World War, where according to union sources 300,000 persons were packed on the Amsterdam Museumplein, it became clear that the accumulated public resistance had to lead to new informal talks. Under this pressure, the government backtracked and watered down its proposals in an unprecedented reform agreement, given the majority of the coalition government in Parliament (77 out of 150 votes). On November 5<sup>th</sup> the social partners also agreed to behave 'extremely reserved' in terms of wage increases for the year 2005, which again guarantees labour peace for the year to come.

The Cabinet declaration of the same day includes the individual right to accumulate 210% of an annual salary, which enables the person involved to spend three years of leave on 70% of that salary. Persons may save this disposal by collecting 12% of the annual income during 17.5 years. The Cabinet supports this provision, by lifting income tax and by providing a reduction on the levy (*heffingskorting*) of 183 euro per year. In addition (though outside the scope of this paper) the government proposals for early retirement and the disability funds have been relaxed, whereas the reform of the access to the unemployment benefit has been delayed for further study and the general extension of collective agreement has been lifted. In theory, the combination of these proposals implies that the date of pensioning is still fixed at 65 years, though in practice employees have the right for early retirement at 60 years, when they have 40 years of work experience and when they use their lifespan scheme. In actual practice, the lifespan scheme may be used for the income support of all kinds of labour market transitions.

## **7. Conclusion**

The Dutch corporatist welfare state is under revision given the ageing of the labour force, the need for keeping human capital up-to-date and to enable the participation of women in the labour market. Due to the austerity of public budgets, the conflict in the representation of these interests needs to be resolved in the public arena. Not only the coalition government but also the ideas expressed by the scientific bureaus of political parties, the advisory bodies of the government, the trade unions and employers' associations, as well as private banks and insurance companies play a role in this policy debate, which has culminated into both policy revision and market creation (of social insurances).

In this paper it appeared that the underlying views on work and care in the Netherlands are changing; personal development became much more important to working people, particularly during the economic boom of the late 1990s. The concept of personal development should be interpreted broadly. The point is not what employees are earning or the status of their job, but how they can achieve personal growth in their work and what experience they can gain. A further concern is how best to combine activities, at work and in private life. Working has become more of a personal project than it was in the past. People build up experience and work on their profile in order to improve themselves and achieve personal growth. Also from this angle a combination scenario is developing where people combine work and care, or work and training at the same time.

The question then becomes what adjustments are needed in welfare state. In this paper we have dealt with the relationship between saving and investing in the social insurance system so as to cope with new social risks and make a life-course model possible. This article has reviewed various variations on such a model and requirements for its success. We have shown that after lengthy negotiations the government changed its original proposals and will now introduce an *individual* lifespan scheme in exchange for a more restricted access to the *collective* early retirement pension. The Cabinet proposal creates a provision for income maintenance during transitions periods, with the aim to bridge the interest of the younger and elder cohorts on the labour market.

In the longer term, however, we believe that efforts must go beyond the government's introducing a personal lifespan budget or changes to leave arrangements covering the transition from working to care duties and from care duties to working. What is needed are changes in education and employing organisations that will actually encourage learning and ensure that it is of the highest calibre; in arrangements for childcare and caring for the sick and elderly, so that more vulnerable groups are also able to combine care duties and employment; in the internal work organisation and in employment terms, so that working people will be encouraged to change jobs or positions without losing their accrued entitlements; and in the social insurance and pension system, so that savings and income can be spread more effectively over the entire lifespan.

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<sup>1</sup> See the special issues of *Gerontologie en Geriatrie* (in preparation), *Bevolking en Gezin* (2003) and by Siswo's labour market group (Van den Heuvel et al. 2003) as well as *Economisch Statistische Berichten* (2004).

<sup>2</sup> We are following Heinz and Krüger's authoritative review, "Life course: innovations and challenges for social research", in *Current Sociology*, 2001, pp. 29-52.

<sup>3</sup> For a description of the national exhibition on women's labour (1898) and trends in the twentieth century, see the splendidly illustrated book by H. Pott-Buter and K.G. Tijdens (eds.), *Vrouwen leven en werk in de twintigste eeuw*, Amsterdam University Press, 1998.

<sup>4</sup> Compare this to *Dolle Mina*, a radical group of Dutch feminist activists in the 1960s.

<sup>5</sup> We are grateful to Jeanne de Bruijn for these comments.

<sup>6</sup> See the Ministry of Social Affairs and Employment, *Sociale Nota 1996*, The Hague, 1995, pp. 33-36; and *Sociale Nota 1997*, The Hague, 1996, pp. 46-48; and *Nota Kansen op Combineren*, The Hague, September 1997.

<sup>7</sup> Ministry of Social Affairs and Employment, *Sociale Nota 1999*, The Hague, 1998, p. 31.

<sup>8</sup> Declaration by European Council of Ministers, Lisbon, April 2000.

<sup>9</sup> OECD Internet data, complete series in *OECD Historical statistics* 2003.

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<sup>10</sup> Compare this to the discussion about the “medical training continuum”. For example: report by the LeGrand Committee, Ministry of Health, Welfare and Sport, spring 2003. See also Van der Meer and Roosblad (2004, chapter five).

<sup>11</sup> The Social and Economic Council has ceased preparation of an advisory report on the lifespan scheme for the time being.

<sup>12</sup> For a description of the conditions for participation, monitoring and conflict management in a comparable decentralised governance system, see M. van der Meer, J. Visser, T. Wilthagen and P.F. van der Heijden (2003, chapters five and six).