

## **EGGE – EC’s Expert Group on Gender and Employment**

### **Supplementary information regarding policies to promote gender equality and employment**

#### **The Netherlands**

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**Supplementary information regarding policies to promote gender  
equality and employment: The Netherlands**

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## **Table of Contents**

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Employment development in the Netherlands.....</b>	<b>3</b>
<b>3</b>	<b>Women who want to return to work .....</b>	<b>5</b>
<b>4</b>	<b>Cumulation of benefits: problem analyses.....</b>	<b>8</b>
	<b>References .....</b>	<b>12</b>

## **1 Introduction**

This report provides some background information on two issues raised by the Commission in its ‘Recommendation for a Council Recommendation on the implementation of Member States’ employment policies’ with regard to the Dutch employment situation, namely:

1. Action plan for women who want to return to work
2. Gender perspective in Recommendation 36 (“In order to tap all possibilities of potential labour supply and reduce inactivity, address the cumulation of benefits, including local costs of living subsidies for low income recipients”)

## **2 Employment development in the Netherlands**

Since several years the Netherlands has experienced significant employment growth. Employment rates are well above EU averages and the Lisbon targets. The official unemployment rate is less than 3 percent, which is significantly below EU average. However, as the Commission notices, the Dutch labour market is characterised by a key structural imbalance: the labour force is constrained by a high proportion of the working age population drawing on disability, unemployment or welfare benefits (Council of the European Union, 2001: 20). In addition, one could add that the labour force participation of women in fulltime equivalents in the Netherlands is rather low compared to other member states.

Table 1a summarises employment rates of the male and female population in the Netherlands by age, educational attainment and fulltime equivalent. For comparison, figures of three other countries are added. Looking at the figures for the total population, it is obvious that the high employment rates are especially due to the high employment rates among men: 80 percent of men are in employment versus 61 percent of the women. For men, these figures are well above the rates of the other countries. For women, only the UK has a higher participation rate. However, these figures do not take the high part-time rate, especially among women, into account.

Calculated in fulltime equivalents, the participation rate of women drops from 61.3 to only 37.7 percent. This is clearly below the rates of France, Germany and the UK.

When looking at participation rates by age category, the figures show that women participate most in the labour market between the age 25 and 29. In older age categories the rate drops steadily, whereas for men the rate is high up till 50. In addition, employment rates are related to level of educational attainment. Participation rates increase with the level of education. The participation rate of men with education on a low level is almost 71 percent, the rate of men with a high education is almost 91 percent. For women, the relation between participation and level of education is even stronger: 44 percent of women with a low education participate in the labour market, whereas it is 83 percent of the women with a high education.

Table 1a Employment rates of men and women by age, educational attainment and fulltime equivalents in the Netherlands, France, Germany and UK

	Netherlands		France		Germany		UK	
	M	F	M	F	M	F	M	F
<i>Age</i>								
20-24	75.8	74.2	48.5	41.3	66.9	63.4	72.9	64.7
25-29	90.0	80.5	81.0	66.3	79.8	69.4	86.7	71.6
30-39	92.9	72.0	87.8	67.9	89.3	70.1	88.3	71.1
40-49	92.1	68.8	88.3	71.7	87.9	72.3	87.2	76.3
50-59	78.7	53.7	70.3	55.2	72.8	53.6	76.9	62.8
60-64	27.2	10.4	10.4	9.7	27.7	11.8	47.4	24.4
<i>Educational attainment</i>								
Low	70.7	44.1	52.9	39.1	67.5	45.4	55.2	47.6
Medium	84.7	70.2	74.6	59.8	75.9	63.4	81.4	71.8
High	90.8	83.1	81.9	72.9	85.6	77.7	88.9	85.1
Total	80.3	61.3	67.5	53.5	72.4	57.1	76.9	63.7
FTE	73.7	37.7	67.4	44.8	71.6	44.0	76.0	44.7

Source: Eurostat (special calculations)

Table 1b contains figures on the absolute gender gaps in employment rate. The gender gap is calculated as the difference between the female rate and the male rate. Figures are given for the total population and calculated in fulltime equivalents. Generally, the Netherlands shows large gender gaps compared to the other countries. This is especially the case with respect to figures calculated in fulltime equivalents.

Table 1b Absolute gender gaps in employment rate by age and educational attainment in the Netherlands, France, Germany and UK (total population and fulltime equivalents)

Age	Netherlands		France		Germany		UK	
	Pop	Fte	Pop	Fte	Pop	Fte	Pop	Fte
20-24	-3.6	-7.4	-7.2	-11.9	-3.5	-7.2	-8.2	-16.0
25-29	-9.5	-23.9	-14.7	-22.8	-10.4	-17.8	-15.1	-30.6
30-39	-20.9	-46.5	-19.9	-31.5	-19.2	-36.2	-17.2	-41.4
40-49	-23.3	-48.8	-16.6	-28.9	-15.6	-34.3	-10.9	-35.5
50-59	-25.0	-49.0	-15.1	-24.6	-19.2	-32.6	-14.1	-33.4
60-64	-16.8	-16.7	-0.7	-3.2	-15.9	-18.6	-23.0	-29.0
Educational attainment								
Low	-26.6	-39.3	-13.8	-20.1	-22.1	-31.8	-7.6	-24.6
Medium	-14.5	-34.6	-14.8	-24.0	-12.5	-26.1	-9.6	-31.3
High	-7.7	-26.4	-9.0	-21.2	-7.9	-23.0	-3.8	-20.3
Total	-19.0	-36.0	-14.0	-22.6	-15.3	-27.6	-13.2	-31.3

Source: Eurostat (special calculations)

Given the restricted participation rate by gender and educational attainment, an important question refers to the current policy initiatives around two issues: female returners and the cumulation of benefits at the lower end of the labour market.

### 3 Women who want to return to work

One of the goals of the government is to increase the labour market participation of women to 65% in 2010. Research shows that the participation will probably rise autonomously to 56%. This means that additional policy is necessary to realise an extra increase of 9%-points. In absolute numbers the policy goal implicates that, compared to the situation in 1999, until 2010 950.000 extra women will have to find a job. The autonomous increase will be about 6 to 9 percentage-points, in absolute numbers this is 500.000- 650.000 women (CPB, 2001). This means that policy measures are supposed to result in an additional labour supply of 300.000 to 450.000 women. Within this category, policy focuses especially on women who (potentially) want to return to the labour market. The exact number of female returners is unclear since labour market statistics do not distinguish between women who enter the labour force for the first time and women who return. However, three quarters of women looking for a job are at least 30 years old, suggesting that a large part is a returner.

Indicative figures on the number of (potential) female returners are summarised in table 2.

Table 2 Women on the labour market

Population	5.26 mln.	
Employed	2.68 mln.	51%
Not employed	2.58 mln.	49%
<ul style="list-style-type: none"> <li>• Does not prefer to be employed</li> </ul>	1.93 mln.	37%
<ul style="list-style-type: none"> <li>• Potential returner (including persons who never had a job) <ul style="list-style-type: none"> <li>- immediately available</li> <li>- available in the long term</li> </ul> </li> </ul>	520.000	10%
	172.000	3%
	348.000	7%
<ul style="list-style-type: none"> <li>• Other</li> </ul>	181.000	2%

Source: Labour force survey; cited in TK 2001-2002: 3

The table shows that the number of (potential) female returners is 520.000. Most of these women (67%) are available in the longer term. Given their low initial labour market attachment, it can be assumed that the share of women with a lower educational level is relatively high among potential returners. However, exact figures are not available (TK, 2001-2002).

#### Factors hindering potential returners

Research shows that several factors may hinder women to re-enter the labour market (e.g. FNV, 2000; Janssen et al., 2001). For a large group of women, caring responsibilities are the main reason to stop participating on the labour market. Lack of work-family facilities, especially childcare, hinders a re-entrance. In addition, financial factors seem relevant. Especially for women with a low education, the nett household income hardly increases when they become employed. This is related to the preferences of women to work part-time, the high costs of childcare and the possible loss of income dependent benefits.

#### *Current policies*

With respect to policy initiatives to stimulate female returners, there is a strong reliance on general policy initiatives. The last years, the reconciliation of work and care has become an important issue for the Dutch government. The number of

childcare facilities has been increased and several leave arrangements have been created. In addition, childcare facilities have been created especially for lone parents. Policy initiatives with regard to education and training could also be relevant for female returners. Finally, fiscal measures are considered to be important incentives. The new tax system contains several elements in that respect. Tax rates are lower and several reductions are introduced, such as a labour reduction and a ‘combination reduction’, which is an extra tax reduction for working parents.

Female returners might also benefit from the initiatives focussing in long-term unemployment. For example, persons with unemployment benefits who have difficulties with finding work are entitled to a re-entry plan within 12 months. This support is also available for persons not entitled to unemployment benefits, including female returners. In 2000 20% of the non-entitled persons were indicated for a plan to get back to work. The policy goal is to increase this with 60 percentage points to 80%. This involves informing unemployment consultants.

More focussed policy initiatives refer to subsidies available for projects that address the recruitment, motivation and stimulation of female returners. An example is the project ‘female returners in care’. The ministry of Health, welfare and sports has concluded a covenant with several parties in health care in order to increase the supply of labour. A similar project is ‘female returners in education’. In addition, the government is participating in EQUAL, the European subsidy programme and will give extra attention to projects for female returners.

#### *New policy initiatives*

For non-working women with a low education, getting a paid job is hardly rewarding. This suggests that a financial incentive may be effective in order to increase the female participation rate. The ministry of Social Affairs and Employment and the ministry of Finance proposed a financial benefit of € 2723 during a period of three years for persons accepting an unsubsidised job of at least 50% of the minimum wage. However, this proposal was not accepted by the Parliament. Reasons were that this benefit would also apply to higher educated women who do not need this incentive. The Parliament suggested that it would be more effective if the budget for the



financial incentive would be spent on measures such as increasing the availability of childcare.

Recently, the minister of Social Affairs and Employment and eight organisations signed a declaration of intent to support women who want to return to work (SZW, 2002a). The involved parties are branch organisations, a central organisation for work and income and the association of Dutch municipalities. In the declaration of intent, the parties state that they will make an effort to develop a joint plan to support women returners with finding a job. The intention is that in the period 2002-2005, 70.000 women returners will find a job. The parties involved emphasise the importance of work-family policies to make the plan successful.

A final element of the new policy initiatives refers to an information campaign. A significant part of the female returners do not sign on at the Employment Exchange. As a result they are poorly informed with respect to the possibilities offered by current labour market policy, such as specific projects, education etc. Therefore, part of the policy is an information campaign in order to inform (potential) returners of the possibilities. In 2000 113.000 women were signed on at the Employment exchange. The goal is that this number has increased with 37.000 to 150.000 women by the end of 2002.

To summarise, there seems to be a high awareness in the Netherlands of the potential labour supply among women. However, the set of instruments that specifically addresses (potential) female returners is rather thin. Policy initiatives strongly rely on general policy.

#### **4 Cumulation of benefits: problem analyses**

Despite the decreasing unemployment in the Netherlands, participation rate of persons with a low education remains rather low compared to persons with medium or high education. Two important factors that seem to hinder an increase of the participation rate of this group: a high marginal tax burden on paid labour and a high replacement rate. The marginal tax burden refers to the amount of taxes and premiums that have to be paid on an increase of the gross income (in percentage of the gross income).

Replacement rate is the ratio between nett income from social benefits and nett income from wages. Both factors result in what is called the ‘poverty trap’.

The Netherlands has a rather well developed system of income-dependent benefits for welfare recipients and low-income earners. In the course of years these benefits have become increasingly complex and interrelated. There are benefits provided by the central and local governments. The central government is responsible for the income policy and provides a social minimum. In addition, benefits have been created in order to make provisions such as education, housing and child care better accessible for lower income groups. Provision of benefits is partly decentralised to local governments. In addition, local governments have - on a limited scale - the possibility to implement local income policy by means of categorical provisions. An important precondition in this respect is that such local policy does not hinder labour force participation and social activation. In practice, it appears that the costs related to local income policies are steadily increasing. Since administration takes place at the local level, exact figures on the use of benefits are not available. Table 3 summarises the benefits.

Table 3 Social benefits in the Netherlands provided by the central and local government

Social benefits: central government	Social benefits: local government
<ul style="list-style-type: none"> <li>• Educational grants/compensation of educational costs</li> <li>• Housing</li> <li>• Child care</li> <li>• Health benefits</li> <li>• Legal aid</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction/remission of local taxes</li> <li>• Special assistance</li> <li>• Child care</li> <li>• Social participation</li> <li>• Assistance with debts</li> <li>• Activation</li> <li>• Other</li> </ul>

As a result of the combined national and local benefit system, it hardly pays for welfare recipients to get a job and for low-income earners to improve their labour market position. Table 4 describes the poverty trap for a single person on social

welfare when accepting a job paid on the level of 100 percent minimum wage and a breadwinner on social welfare accepting a job paid 130 % of the minimum wage.

Table 4 Development net income increase at transitions from social welfare to a paid job, 2001

	Increase net wage	Wage forego due to loss of income dependent benefits			Costs for obtaining paid work	Increase in disposable income	% growth of nett income
		Housing	Remission local taxes	Special assistance			
Single, 100% minimum wage	3090	-1252	-377	-1026	-590	-154	-2%
Breadwinner, 130% minimum wage	3426	-1207	-540	-1026	-794	-310	-1%

Source: Ministerie van Financiën, 2001: 14

Other research (WHIR, 2000) shows that for single parents who accept a job at the level of minimum wage the nett wage increase will be only 1%. Accepting a job at 130% the increase is 2%. Loss of childcare benefits (because a higher parental contribution is required) is one of the causes of the poverty trap. For one-earner household the poverty trap hinders labour market participation of the non-working partner. Again, costs of childcare are part of the problem.

#### *Policy initiatives*

At a general level, the poverty trap is addressed in several ways. Since January 2001 the tax system has been reformed. In order to reduce the poverty trap marginal tax rates have been reduced and a 'labour reduction' is introduced. In addition persons with social benefits can get an extra tax deduction when entering the labour force. Within certain conditions, this deduction amount to € 2269,- during a period of three years. This tax reduction does not apply to women re-entering the labour market.

With regard to the local policy, the government has recently decided to replace the current income-dependent benefits on the local level with a uniform, national arrangement (SZW, 2002b). The point of departure in this arrangement is 'employment above income'. One of the goals is to reduce the poverty trap and create more legal equality. In addition, in order to reduce the number of welfare recipients, municipalities get more responsibility to stimulate these recipients to participate on the labour market. The intention is that extra attention will be paid in supporting lone parents to get a (part-time) paid job. Possible instruments may be a premium, childcare and benefits for education. (SZW, 2001).

There is little information about the gender dimension of the poverty trap. In general it is taken into account that the poverty trap frustrates the labour force participation of the non-working partner of a sole (low income) breadwinner. In addition, the poverty trap may hinder the re-entry of lone parents in the labour market. However, exact figures are not available. Just to give an indication, the total number of households with a maximum monthly income of 145% of the minimum wage is almost 1.500.000. Most of these households have an income based on welfare, disability of unemployment benefits, 36 percent has income from paid work. About 200.000 households (13,5%) are single parents households, mostly women. 309.000 households (21 percent) consist of two partners with children, 371.000 households (25 percent) consist of households without children.

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