



WILCO

Welfare innovations
at the local level
in favour of cohesion

Local welfare in The Netherlands: Housing, employment and child care

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1. GENERAL BACKGROUND

The modern Dutch welfare state originated in 1874, when labour for children under twelve years of age was forbidden by law. A few decennia later, in 1901 the first social insurance scheme, the law on work injury benefits, was implemented. However, the Dutch welfare state took its current comprehensive character after the Second World War, which is rather late in comparison to other European countries. In the pre-war period, social security schemes lacked collectiveness. Benefits were low, only accessible to wage workers, and the poor had to rely on churches and charities. Inspired by these deficits, hope for a new and better society, and based upon the UK "Beveridge reports" (an early example of policy transfer) this changed after 1945. So-called "people's insurances" were introduced, covering sickness, invalidity, old age and death (survivors). The schemes can be called highly collective and highly solidaristic because they were designed and controlled by the state, while bad risks were included and contributions were related to income instead of risk. A social assistance scheme replaced the inadequate poor law, and worker's risks became the responsibility of the state instead of companies. In various other areas, such as health care, housing and social services, new policies were enacted or existing ones were implemented more vigorously. Nowadays, the expenditure on social protection is relatively high: in 2006, it was 29.3% of the GDP (Eurostat 2011).

During the 1950s and 1960s, the period in which these welfare reforms took place, Dutch society was characterised by so-called "pillarisation" (Lijphart 1968). Several pillars, in particular Catholic, Protestant and secular (subdivided into proletarian socialists and middle-class liberals), were organised according to their own pillarised networks - not only in politics but also in daily life, such as schools, sport clubs, television and radio, etcetera. This did not result in the polarisation of high-level politics, because central decision-makers generally aimed for compromise - the so-called "consensual" decision making style. Although Dutch society has since "de-pillarised", because of secularisation and individualisation, the corporatist history of policymaking still has a notable influence on contemporary policymaking in the Netherlands. This is particularly visible in the (major) socio-economic policy areas, where the government consults social partners (employers and trade unions), who meet in the Foundation of Labour (*Stichting van de Arbeid*) and in the Socio-economic Council (*SER*). This process is embedded within an institutional framework and is part of the standard process of social policy making. The strong position of social partners becomes even clearer in some areas of social welfare that are entirely left to collective labour agreement between the social partners in fields of industry, such as flexible and part-time work, leaving schemes for worker-carers, top-ups of disability levels, early-retirement arrangements etcetera (van Oorschot 2009: 366). For instance, over 80% of Dutch workers receive complementary benefits from mandatory, capital-funded, occupational pensions schemes, which pay out earnings-related pensions. Besides the existence of relatively generous government benefits, this is one of the main reasons that only a relatively small proportion of the elderly in the Netherlands live in poor circumstances. The role of social partners has declined, though. Structural changes in the labour market, such as an increase in service sector workers, workers employed in small firms and employees on non standard forms of employment, negatively affect trade union density and power. Also, to be less vulnerable to failing negotiations, the government has actively been reducing the influence of social partners. For instance, social partners lost the responsibility for welfare administration of workers insurance schemes and employment services, which has been transferred to government institutions in order to create an incentive structure less vulnerable to moral hazard (van Oorschot 2009).

Alongside with the expansion of the social security system in the Netherlands, other welfare provisions were developed, such as a national health insurance on lower income, national school and study allowances, housing benefits for tenants and tax credits for home owners, and so forth. However, whereas the elderly received much attention at this time, the needs of children and the need for reconciliation of (especially female) labour and care was less addressed, which resulted in relatively poor standards of child care, for instance. It was not before the beginning of the 1980s that equal access to the labour market and the removal of gender bias gained a prominent position on the policy agenda. Before then, most Dutch families were characterised by the traditional division of labour and caring tasks.

The mobilisation of a larger proportion of the inactive Dutch population, which included not only a disproportionate number of women, but also an uncommon number of the (partially) disabled receiving generous benefits without many constraints, suddenly became high priority from the late 1970s onwards, following the economic crisis and budget cuts. Low female labour participation, a largely inactive population due to a very generous welfare system, combined with high unemployment rates, contributed to what is sometimes referred to as the "Dutch disease". There was a collective resolve to do something but what? One important change took place in 1982, when an agreement was reached between social partners and the government on long term constraints on wage increases in turn for a reduction in working hours. Mainly stimulated by this pact, labour participation increased from barely 60% in 1983 to more than 70% in 1999, while registered unemployment decreased from 12% at its peak to about 3% in 1999 (Becker 2000: 220). These developments are referred to as the "Dutch miracle" (Hemerijck and Visser 1998). At the same time, the period of expansion, collectivisation and solidarisation of the Dutch welfare system came to an end. Actually, "[s]ince then the history of it can be characterised as one of retrenchment and of adaptation to a series of challenges, the most important of which are high inactivity rates, changes in male and female role patterns, and population ageing this all in a context of Europeanisation and globalisation" (van Oorschot 2009: 364). Regarding social protection policies, the importance of work was stressed instead of welfare, income benefits were cut and eligibility was tightened. Also, more attention was paid to the reconciliation of work and care. With twists and turns, this trend continued and it has recently been strengthened by the economic crisis and the fall-out of the bail-out. Another trend, influenced by examples from other countries such as Sweden and the UK, has been to shift attention to the issue of reintegrating those excluded from the labour market and, more generally, from what is defined as "society".

In summary, the Dutch welfare state is typified by comprehensiveness and corporatist features. That is why it is often considered to be a hybrid in terms of Esping-Andersen's three world views, having features of conservative as well as of social democratic welfare regimes. Traditionally, paternalism with a Christian democratic background was prevailing. Hence, there was a strong feeling that "the strong" had to care for "the weak" and that the safety net for the weak must be generous. This is probably why the Dutch expression for welfare state is "caring state" (*verzorgingsstaat*), which very well expresses its paternalism-cum-generosity (Vis *et al.* 2008: 336). The social security system not only contains social-democratic characteristics, including universal, so-called people's insurances that cover all citizens, but also corporatist, Bismarckian-type social insurance for workers, reflecting conservative characteristics. Indeed, the Dutch welfare state was long based on the male bread-winner model, and the level of public child care provisions remains far behind that of social-democratic welfare states (Borghi and van Berkel 2007).

However, of course, it is clear that such a regime classification does not suffice to position the entire welfare state and we must qualify our analysis in this respect. It is in fact fair to say that social security has become politically and institutionally less relevant, for a

variety of reasons: ageing, immigration and the changing structure of the labour market, which have brought other areas (health care, social services) to the fore; and the declining position of trade unions and employers. These developments will be addressed in more detail as we discuss trends and separate fields.

1.1. Degree of centralisation

The Dutch state can be classified as a decentralised unitary state (Toonen 1990). It has a three-layer system throughout the country: local government or municipalities, provincial government, and central government. These bodies are all autonomous, but restricted by (higher) law. Central government law must be implemented by the lower levels of government - an arrangement called "shared governing" (*medebewind*). Alongside these three all-purpose layers of government there are so-called water boards (*waterschappen*) responsible for managing water, which are in fact the oldest governing bodies of the Netherlands, preceding the central state. At the regional level, municipalities cooperate in the delivery of several services. There are now also eight metropolitan regions, covering over six million inhabitants and creating a fourth, regional level of government. Participating municipalities can delegate any tasks they want to the regional layer but their main task is to improve regional economic development, including infrastructural and spatial planning. Unlike the other three layers, representatives are not directly chosen by the citizens but are chosen from municipal representatives. Despite these kind of complicated inter-municipal relations, to a large extent municipalities do actually show similarity and uniformity in tasks and political structures.

One of the characteristics of the Dutch decentralised unitary state is that municipalities and provinces have their own jurisdiction. In many policy areas, provinces (the Dutch meso level) supervise municipalities, as central government supervises provinces. However, the provinces are the weakest link in the government chain and, after recent budget cuts, are increasingly so. Municipalities have a general competence ("open household") which is constitutionally protected. Hence, within their borders, municipalities can make their own by-laws, levy taxes and develop their own policies on any policy area, as long as it does not conflict with "higher law". It must be noted that "unitary state" does not imply centralisation. Unity is visible in cases of equity, such as income and social security policies (e.g. the level of benefits is not related to one's place of residence or local politics). Local government must comply with higher law. Also, the share of local taxes in municipal income is low and central financing comes with strings attached. Furthermore, municipalities are for a large part - two-third - dependent on national government for their financial means. The remaining third is collected by municipal taxes and profits from municipal companies or property. Approximately the half of national funding of municipalities is received through the Municipalities Fund, which can be spent according to local preferences. The rest of the national funding must be spent on specific goals.

Still, much room is left for municipalities to develop their own policies according to local circumstances or political ideologies. In core areas such as spatial development and planning (e.g. public housing), education, social care, culture and recreation, transport, environment and health care, municipalities are responsible for implementing national policies, but have autonomy to decide how to do so. Because of the large autonomy of local government, the policymaking method most often used is "co-governance" (Schaap 2009). This means that central government will consult local governments on national laws and plans in order to assure local compliance. Thus, supervision of higher government in this context takes the form of approval or non-resistance, instead of direct hierarchy. In many cases, municipalities are free to determine the contents of mandatory tasks. This is of course especially relevant to the local services central in this project.

The "co-governance system" has ensured that in a time of increasing tasks and responsibilities for national government, the policy freedom of municipalities remains intact. Thus, although centralisation has occurred due to the expansion of the welfare state, the importance of subnational bodies has not changed. All this has taken place without any structural changes, except for an ongoing process of mergers (from 1,212 municipalities in 1900 through 418 in 2011). Recently, as we will discuss below, the role of municipalities appears to have become more important as an increasing number of tasks are decentralised.

A final point worth noting is that, because of the history of a pillarised society, many public services are delivered by formally private non-profit organisations. The roots of this arrangement stretch back to an early 20th century conflict. A highly contentious issue was whether private (especially religious) schools should receive the same funding as public schools. In 1917, the liberals and the religious parties came to a compromise ("pacification"): in exchange for universal suffrage, religious schools received the same funding and rights as their public counterparts. This compromise on education was considered so important that it was even included in the Constitution. The principle developed for schools spread to other vertical fields of service delivery. There was to be no differential treatment between public organisations and private non-profit organisations. This style of policymaking was aimed at depoliticisation - turning ideological clashes into "technical" issues. The Catholic notion of subsidiarity and the Calvinist notion of circles of sovereignty sat happily side by side within this system of distribution. This helped to take difficult issues of distribution out of the political arena.

When the welfare state expanded after the Second World War, much of its growth was channelled through private non-profits. In most policy fields, they represented an acceptable compromise between state growth (opposed by liberals of the Right) and market solutions (opposed by the social democrats of the Left). The effects of this policy on the third sector were twofold. Organisations involved in service delivery could grow at an exponential rate, assured of increasing public funding. However, this meant that the money brought regulation that not only diminished their autonomy, but also gradually blurred the distinction between public and non-profit - private - agencies. For instance, it was difficult to maintain bonds with specific client groups when the regulatory framework promoted equal access and uniform standards. Still, it has meant that in local services many key functions are not under the direct control of municipalities and that the system of delivery was a kind of new governance *avant la lettre*.

1.2. Recent developments

Nearly all Dutch policy fields have witnessed fundamental changes in the "governance" relations between ministerial departments and policy fields over the last twenty years. It should be noted again that these changes are partly no more than discursive, since there was always a large degree of decentralisation and a broad involvement of non-state providers in the implementation of social policy. As compared to countries with a different type of welfare state, the inclusion of new providers was less significant than how relationships with these providers were managed. In the 1980s and 1990s, successive governments enacted measures towards privatisation, retrenchment and government reorganisation, aimed at reducing the personnel and the size of government, as well as making government more businesslike. A number of government units were turned into agencies and quangos (Noordegraaf 2009: 266). Many municipalities reformed their management, using planning and control cycles and performance measurement to implement a corporate control model, rationalising the budgetary control. This also affected fields where the private non-profit sector had been the principal provider. In a

number of policy fields, a greater degree of competition between providers was introduced, for example in health care, domiciliary care and social housing.

In the Netherlands, three issues tend to dominate the debate on the future of the welfare system: globalisation, ageing, and migrants. Globalisation poses a challenge for the Dutch welfare state, especially in the areas of labour market and social security. Outsourcing production processes to low-wage countries is one of the consequences of a global labour market. The loss of unskilled jobs will negatively influence the position of lowly educated citizens (WRR 2006: 58). On the one hand, it seems that outsourcing in the Netherlands is relatively small and that the Dutch economy has profited from globalisation more than it has lost from it (WRR 2006: 58). On the other hand, there are concerns about the structural growth ability of the Dutch economy. The growth of welfare during the 1990s was especially due to the increasing participation of women and youngsters, but in relative terms, this has merely been "catching up". It is expected that more businesses will reduce production in the Netherlands or will go bankrupt due to international competition. Furthermore, there is a mismatch between labour demand and supply, i.e. an ageing labour population and an increasing demand for technically skilled personal.

As in other countries, populist politics have revived and with them criticism of policies towards migrants. The Netherlands will probably experience an increase in immigrants from Eastern Europe who are involved in seasonal work. It is still unclear how these new labour immigrants will behave, yet it depends on these individual behaviours whether immigration contributes to the Dutch society, such as the duration of the stay, the nature of labour market institutions, and the macroeconomic conditions (WRR 2006: 60). As for "traditional" migrants, including first, second and third generation migrants, the general assumption today is that Dutch society has underestimated the problems of dealing with the integration of large numbers of migrants into society and the labour market for too long. This has led to a tougher approach towards migrants and integration. This trend has recently been reinforced by the coming of a minority Liberal/Christian-Democratic coalition, which came to power in 2010, supported by a right-wing populist part that has a strong anti-immigrant and anti-Islam position. One consequence of the populist revival has been increased attention to urban social problems and a willingness to go beyond traditional solutions. In some ways (though not unambiguously) this has fostered a climate in which innovation is encouraged.

Ageing is one of the major issues in the Netherlands, as elsewhere. In 2050, the proportion of retired employees will almost be two times the proportion of 2006 (which is near the European average). Even increasing the labour participation rates in line with the Lisbon agreements will not avert the effects of an ageing population - which include a higher demand on social security and a structural shortage of labour in certain fields (which, for the Netherlands, are health care and education in particular). Sometimes it is suggested that immigration can be the (partial) solution of ageing, but this seems almost impossible in the current political climate and perhaps also in real terms - some estimates demand the immigration of eight million people, i.e. 50% of the current population (WRR 2006: 60).

These debates affect many fields, including those studied in this project. They encourage a more active employment policy, aiming to include more of the current unemployed (especially migrants, women and the elderly) in the active labour force; the need to restructure the housing supply and to strengthen the social element of housing provision for the benefit of inclusion, especially in urban areas; and the (albeit wavering) intention to increase the supply of child care places, to further the labour market participation of women and to strengthen the inclusion of lowly educated and marginalised groups, including a disproportionate number of the migrant population.

2. HOUSING

2.1. Demand and supply

Until the 1990s, rented housing was proportionally the largest segment within the Dutch housing stock. However, due to generous tax rebates, low interest rates and loose requirements by banks (with little to no demands for private savings to obtain a mortgage) home ownership has been steadily rising and has become the principal, though not dominant form of tenure. In 2009, it took up 58.9% of the total housing stock, with 31.8% social housing and 9.4% private (commercial) rented housing (SysWoV 2009). Cooperatives play a negligible role and do not even show up in the statistics. It is the large share of social housing that makes The Netherlands exceptional in international comparisons, even though it has been decreasing in the past decades (Harloe 1995).

Until recently, access to social housing was open to middle-class incomes, which explains the large size of the social housing sector. As such, no stigma is attached to it, as there is in countries where it is strictly confined to the lowest socio-economic groups. However, the European Union has recently condemned this as market distortion and, due to a recent settlement, income limits have become stricter. Since January 2011, social housing is limited to those with an income under 33.614 Euro. This, in combination with stricter mortgage rules introduced after the crisis, is expected to exacerbate the problem of a large gap between the highest tiers of social rented housing and the cheapest properties.

Before 1990, all social housing providers distributed their stock through waiting lists. This is a system in which the provider takes the initiative in allocating specific units to specific households, based on its knowledge of the prospective tenant, the eligibility rules and the characteristics of vacant dwellings. The customer registers and waits until his name comes on top of the list. In the 1990s, many switched to a variety of the supermarket system. This advertises the supply of vacancies, from which applicants themselves can search out their preferred choice (provided they are eligible). When they have registered their interest in a particular unit, the one who is most eligible has the right to claim it. Provided that he or she has followed the proper procedure, it is not legally possible to refuse them. Certain vacancies may be earmarked for urgent cases, e.g. asylum seekers. Allocation is now almost invariably organised along regional lines and landlords in cities are part of a single system. In the past decade, new systems of allocation have emerged, leading to a wide variety of practices.

Low-income tenants are subsidised in two ways. They can receive a tax rebate, which amounts to a substantial reduction of monthly rents. In addition, most of the properties in which they live have received an initial subsidy, meaning that cost-covering rents can be kept at lower levels afterwards.

Illegal housing is not a significant issue in The Netherlands. There are cases of illegal renting, especially in major cities, and it is clear that illegal money finds its way into property, as it does elsewhere. However, it is not seen as a major problem. It does not affect social landlords, who attract capital from the capital markets and who have major guarantee funds to back them up. Since the social housing stock is so large, a substantial part of its income is self-generated.

The number of homeless people in The Netherlands varies by definition. Roughly 18,000 (about 0.15% of the population) are on the street and another 54,000 rely on temporary accommodation.

2.2. Structure of the administration

The origins of the housing system can be traced back to the 19th century, when the quality of housing in many Dutch cities was deplorable (Brandse and Helderma 2004). When Holland's industrialisation brought increasing numbers of workers to the major urban areas, great shortages arose. Housing that private landlords were able or willing to offer was either insufficient, too expensive or of poor quality. The result was that major cities were frequently confronted by disease and social unrest - plagues and riots. Such public health and social problems finally led social and political elites to pay attention to the housing question. The first initiatives for improving housing did not come from the national state. At the local level, wealthy citizens did make efforts to alleviate the worst problems. From the mid-19th century onwards members of the upper classes and the industrial elite founded housing associations - which were private philanthropic organisations - providing rental housing for the working class. That said, rents were still at levels that were unattainable to all but the "rich poor" - the top of the working class, the educated and well-paid. Until after the Second World War, this remained a relatively small segment of overall housing provision, and did little to alleviate the shortages.

This dramatically changed in the period of post-war reconstruction. At the end of the Second World War, the country faced immense housing shortages, higher than that of most European countries. During the occupation construction had ground to a halt and many dwellings had been destroyed. These developments had added significantly to the great shortages that had already existed before the war. However, the housing market of the time was still wholly incapable of meeting need. With broad support, the government enacted a large-scale construction programme with extensive financial support. From this point, private housing associations gradually developed into the most important agents in the implementation of national housing policy favoured by all sides of the political spectrum.

During post-war reconstruction, the originally philanthropic housing initiatives received major subsidies and were drawn into the public housing sphere, to the point where they had little autonomy left, even though they remained formally private. The period of 1945 - 1989 was one of explosive growth and bureaucratisation. Due to major planning errors, housing reconstruction in The Netherlands dragged on far longer than in most other countries, eventually resulting in a social housing stock of well over a third of the total housing stock. Despite, the important role of private non-profit organisations, public policy in this area was very much centralised, especially in the early post-war period. The state hierarchically determined the size and nature of the building programmes on the basis of estimates of need and building capacity. Regulation of rents diminished the scope for negotiation between tenants and landlords, which called for an extension of tenant protection. Housing distribution was strictly regulated through a system of permits and distribution criteria, so that scarcely available space might be allocated as fairly as possible. In short, nearly all phases of housing provision were under direct state control. Housing associations became in effect little more than extensions of government.

However, during the late 1980s and early 1990s, public regulation and funding of social housing were significantly scaled back and social landlords were effectively re-privatised. Housing regulation was liberalised, both for supply and demand. On the demand side, the freedom for individuals to choose their place of residence was also increased considerably. It was no longer as easy for local authorities to refuse access to their local housing markets. On the supply side, social housing providers gained greater freedom in making their own decisions. To begin with, their ability to set their own prices was significantly increased. They used to be obliged to increase their prices by a fixed annual percentage;

after a period of gradual relaxation, the government only set maximum and average rent rises, with providers free to create variation in their overall stock. There were also fewer instances in which providers had to ask permission for major decisions. This used to extend to basic activities such as sale and construction, but incrementally it came to apply to an increasingly limited number of far-reaching decisions, such as mergers or the transition to a new legal structure.

Since then, social landlords have operated with a great measure of autonomy. Although central government sets performance targets for them, these are broadly defined and monitoring and supervision are limited. Since they are able to finance their activities from the revenues of rents and sales they can operate virtually without subsidies from national government. Funds for new construction are acquired through the private market. Local government remains an important partner to social landlords, by virtue of their legal responsibilities in urban planning and local social policy, but the former have no control over the latter. The change of system was a deliberate attempt to shift policymaking to the local level. Targets emerging from the negotiations were meant to strike a balance between public and private responsibilities. This was reflected in one of the basic tenets of the new system, which was that local parties were "equal in principle". It is virtually impossible for government to initiate urban regeneration programmes or social interventions without involving social landlords. In effect, this involves complex negotiations between landlords and local governments.

There currently remain over 400 independent social landlords, located mostly in urban areas. In recent years, there has been renewed debate about their performance, the scope of their activities and their relationship with local and central government. Social landlords increasingly work with a variety of governmental, third sector and business partners to realise projects in the fields of social services, care for older people and neighbourhood planning. Although central government has tried to reassert its role in recent years, its influence remains mostly indirect.

Shelters for the homeless are either run by charities such as the Salvation Army or by municipalities. In the case of municipal shelters, costs are partially subsidised by the national government. In 2009 national subsidies for sheltering the homeless were significantly increased, but what with simultaneous cuts in other municipal budgets, the overall effects on the funds available for the support of this group are uncertain.

The European Commission has no direct competence over housing, but through competition regulation it has intervened in the Dutch social housing system, which it regards as an uncomfortable hybrid. The resulting limits imposed on access may lead to a further drop in the share in the sector, although as noted above this may cause severe problems in other segments of the housing market.

2.3. Housing in relation to social exclusion

Although social housing is designed to accommodate people from lower income brackets, once people move into a social rented dwelling, if their income later increases, they cannot be evicted. Until this year, for above average income households that were staying in social housing, the rental price would not even be raised. Hence, in the past, the relatively good quality of the social housing stock in combination with the lack of (affordable) alternatives on the private housing market led to many (above average income) households choosing to stay in their social rented dwelling. As a result, until recently at least, neighbourhoods with large stocks of social housing maintained a fairly balanced social mix of low, middle and even higher income households. Therefore, there is not (yet) a strong stigma attached to people living in social housing estates. Today, despite

changing residential preferences, social housing still enjoys a fairly good reputation. However, this perception might change in the (near) future as middle and higher income households are increasingly moving to the owner-occupied segment of the housing market while social housing is now mainly reserved for low income households.

In fact, at the moment the system is such that it is financially more convenient for high-income households to buy a house, and for low-income households to rent one instead. Those who have a lower income simply do not gain as much from tax deductions as they do from housing allowances. Besides, people with a lower income usually struggle to meet the increasingly demanding criteria of banks and do not manage to obtain a mortgage. Thus, there is currently a clear relationship between income and tenure in the Netherlands: the higher income households are overrepresented in the owner-occupied dwellings, while the lower income households are overrepresented in the rental sector (Elsinga and Hoekstra 2010). In particular, ethnic minorities, single women, and the elderly are more likely to rent than to own a house (SCP 2009; Blaauboer 2010; Haffner and Boumeester 2010). Consequently, these groups are also the most vulnerable to any future changes in housing policy (such as the planned rent increases and possible cutbacks in housing allowances).

Most ethnic minorities in the Netherlands live in the west of the country, in the "Randstad" area. In 2006, almost half of all the social dwellings in the so-called G4 (the four largest municipalities, i.e. Rotterdam, Amsterdam, The Hague and Utrecht) were rented out to migrants, mainly of Surinamese, Antillean, Turkish, and Moroccan descent (SCP 2009). As social housing is located in some neighbourhoods more than in others, ethnic minorities also tend to be concentrated in certain neighbourhoods. Over the last ten years, the number of neighbourhoods in which ethnic minorities constitute the majority of the population has slowly been rising. Still, in 2008 this was the case in merely 49 of more than 4000 postal areas in the Netherlands (SCP 2009). Furthermore, in the neighbourhoods in which a large share of the population is composed of ethnic minorities, a broad diversity of nationalities is represented rather than one dominant nationality (Hartog and Zorlu 2009).

In reality, the Netherlands does not have neighbourhoods that could be characterised as ghettos or *banlieux*. Yes, ethnic minorities are concentrated in specific neighbourhoods, but this is not (yet) considered to be outright segregation (Musterd and de Vos 2007). Although some of these areas have a bad reputation, they are generally not seen as "no go" areas (even if there might not always be much reason for most people to go there). Access by public transport to these areas remains relatively good and they are, by international standards, closely located to other urban areas. Nevertheless, recently, segregation indices in the Netherlands have been rising (Bolt *et al.* 2008). The growing concentration of ethnic minorities in particular neighbourhoods also made the issue of "social cohesion" a prominent theme in political discussions (van Kempen and Bolt 2009). To strengthen social cohesion in so-called "problem areas", urban regeneration programmes have encouraged mixing of socio-economic groups, with mixed success (Bolt and van Kempen 2010).

2.4. Recent developments

An important development is the likely loss of investment in urban areas. In the past decade, central government channelled significant funds towards urban areas. This policy is now coming to an end, both because this agenda is seen as the darling of the social-democratic party (emphatically not in the current government) and because the money has run out. Furthermore, the once fabled wealth of social housing has taken a severe blow. The government has over the past years imposed taxes and requirements that have dented its reserves. This has been made worse by the property crisis, which (though not of Californian depth) has made it more difficult to sell stock, leading to a loss of revenue that previously allowed cross-subsidisation. All this has reduced the scope for new construction

and large-scale investment in neighbourhoods, which may become an obstacle to future innovation, but may also encourage small-scale, experimental solutions.

Until recently, there was no fixed maximum income for people to qualify for social housing. In a number of municipalities people were selected on the basis of, among other things, income, household composition, and economic and social ties to the municipality. Although legally social housing providers had to prioritise those most in need of housing, but they were not confined to serving the lowest income households. As noted above, this way of allocating social housing has received some fierce criticism from the European Commission, which claimed that as (former) beneficiaries of state subsidies, social landlords were acting in contradiction with EU competition law unless they assigned their housing stock exclusively to low-income households. As a result, the eligibility criteria for social housing have been tightened and from January 2011 onwards, at least 90% of all social rented dwellings that become available must be allocated to households with an income not exceeding €33,614. It remains contentious whether the European Commission could have enforced this income limit, had the Dutch Ministry of Housing stayed firm.

The affordability of housing may come under threat, both in rented. Rents for middle-income households are now allowed to rise well above inflation. Of course, as elsewhere, rising interest rates will increase the cost of mortgages. While people were able to borrow up to six times their annual income in the past, at the moment banks hesitate to lend more than 4,5 times the annual income. Rising interest rates will also exacerbate greater debt problems among homeowners, which will strengthen the decrease in demand for new construction and sale of current stock. A subsidy scheme for low-income home owners (in any case a failed policy) has been cut.

But it is not all doom and gloom. Providers of social housing increasingly collaborate with other types of service providers (Brandsen and Van Hout 2006). Starting as landlords who merely rented out their property, they gradually expanded into various forms of urban regeneration and community investment. Activities went beyond their original (bureaucratically defined) function and adopted a more holistic perspective, in which they would "revitalise communities" or something similar, treating their housing stock as a means rather than an end. This led to a burst of creative energy and to some interesting new ventures (as well as some spectacular failures). For example, packages of housing and health care are offered, multi-functional centres, new methods for reaching out to citizens and experimental types of tenure. Although in the current climate is one of anxiety, there remains sufficient regulatory and financial scope for innovation on the ground.

3. EMPLOYMENT

3.1. Demand and supply

The employment rate of the Netherlands was 77% in 2009, which was only surpassed by Iceland (Eurostat 2011). For men, this was 82.4% and for women 71.5%. Among older employees (55-64) the employment rate was 55.1%. People with an ethnic background participate less in the labour market than native people (62% in 2008 [CBS 2011a]). By far, most people are employed in the service sector (79%), followed by industry (18%) and agriculture (2.6%) (OECD 2010). More specifically, business services, the commerce sector and health care employ most people. From 2009 to 2010, jobs were lost in almost every sector - a noticeable exception is health care. Despite high employment rates, labour utilisation remains relatively low because on average the Dutch work a small number of hours. In the Netherlands, there are some of the highest proportions of part-time workers in Europe. In 2009, 75.8% of working women were employed in a part-time position (Eurostat 2011). For men, the respective percentage is lower (24.9%) but still one of the highest in Europe. Especially in health care and education, part-time work is very popular. The importance of part-time work for the Dutch labour market is recognised by law: part-timers have an explicit right to equal treatment in terms of wages, social security, holiday pay and second tier pensions. Additionally, every employee is entitled to request a downward adjustment in working hours, which cannot be rejected by the employer (when certain conditions are met).

In 2009, 18.2% of all people active on the labour market were fixed term employees, which is relatively high for Europe (Eurostat 2011). In the third quarter of 2010, 49% of the 15-24 year olds was participating in a temporary job, as well as 14.2% of the 25-49 year olds and 8.4% of the 50 year olds or over. In addition, young workers have a higher chance of working flexible hours (around 25% in 2009), which is even higher for non-western ethnic young workers (42%). Still, since the 1996 flexi-security agreements, the legal position of Dutch temporary workers is relatively strong. For example, this act ensures that temporary workers should earn the same salary as full time employees and that the job agreement between the employee, the employer and a temporary work agency is regarded as an official employment contract. Also, employers cannot extend temporary contracts infinitely. The combination of deregulation of standard employment with regulation of non-standard employment is a distinctive feature of the Netherlands (Green-Pedersen *et al.* 2001).

The unemployment rates of the past ten years in the Netherlands have been relatively low compared to European rates. In the beginning of 2011, the unemployment rate was 4.3%, which was the lowest in Europe after Norway (Eurostat 2011). Unemployment is only slightly higher among women than among men (4.3% versus 4.2% in 2011), but much higher for citizens with an ethnic background (12.6% versus 4.5% among native citizens in 2010 [CBS 2011a]). Thus, despite the economic crisis, the Netherlands has been relatively successful in keeping unemployment rates low. In order to minimise the impact of the crisis, the government has introduced a temporary "reduced work time programme", which protects companies and employees to prevent mass lay-offs during times of sudden, but serious, drop in turnover. This programme partially explains the degree of labour hoarding, while the other part is due to more traditional factors, such as the strict employment protection legislation for permanent workers (OECD 2010). The latter also assures that employees with a permanent contract are in a relatively strong position - this is why the unemployment rates among older employees are low (3.6% for employees aged 46 and

older in 2010 [CBS 2011a]). At the same time, it also increases the attractiveness of using (relatively generous) unemployment benefits for early retirement.

Long term unemployment (longer than one year) has been fluctuating between 0.8 and 2.1% between 2000-2009 - in 2009 it was 0.9% (Eurostat 2011). Differences between men and women are negligible, but especially the elderly have higher chances of long term unemployment: of all unemployment among people aged 50-plus, 47.5% is long term, whereas on average this is 28.3% (third quarter 2010) (Eurostat 2011). Hence, although unemployment rates are low among elderly, once they lose their job, they are more likely to stay unemployed. Also, workers with an ethnic background are overrepresented in long term unemployment - in 2008, members of ethnic minorities constituted almost 40% of all long term unemployed (CBS Statline 2011).

Currently, nearly 1% of all jobs is subsidised by the state, which accounts for circa 100,000 jobs. These jobs are for mentally and physically handicapped people. Many subsidised employees work in private, independent "social work companies", which are contracted by municipalities. They can be employed internally, but also be outsourced to regular companies, which was the case for 28% of all subsidised jobs in 2009 (Cedris 2009). In 2009, 71% of all subsidised workers were men and the average age was 46 (Research voor Beleid 2010). Recent information about the ethnic backgrounds of people working in subsidised jobs is not available.

The size of the informal economy in the Netherlands is not very big - in 2008 it amounted to 9.6% of the GDP (Schneider 2010). Undeclared work, however, is common and mostly occurs in construction and in household services (European Commission 2007).

3.2. Structure of the administration

In the Netherlands, the key central government agency is the Ministry of Social Affairs and Employment, which is responsible for the vast majority of labour market policies. However, there is a great role for a network of tripartite bodies; regional and local governments, and the social partners. The local Departments of Social Services, which are municipal agencies, are responsible for the administration of so-called "people insurances", such as social assistance. Public Employment Service agencies (*Uitvoeringsinstituut Werknemersverzekeringen*, or *UWV's*) are in charge of "employee insurances", such as unemployment and disability insurances. At the beginning of the 1990s, all political parties broadly agreed that these institutions had failed to contribute sufficiently to a reduction of expenditures on social security benefits and to an active welfare state (Finn 2000; Borghi and van Berkel 2007). In 2002, the implementation of social welfare policy changed radically when the Structure Implementation of Work and Income Act (*Wet Structuur Uitvoeringsorganisatie Werk en Inkomen*, or *SUWI*) went into effect. The SUWI is an example of the application of New Public Management. This Act meant decentralisation, involving devolution of responsibility to municipalities and Public Employment Services for the organisation of social welfare benefits and protected labour policies. The SUWI recognises the involvement of commercial reintegration services and controls the division of tasks between these companies and public organisations. Institutions such as municipalities and local UWV's are expected to operate as purchasers of private reintegration services. Additionally, municipalities and UWV's work using performance indicators from the Ministry. Since the implementation of the SUWI, all municipalities now collaborate with local UWV's because of the benefits of sharing knowledge, contacts with employers and reintegration companies, and databases (such as vacancies). The act also created an advisory role for local client participation boards, consisting of clients and interest groups, to offer target groups more possibilities to engage in policy making.

Besides the governance and institutional reforms, conditions to be granted welfare benefits got stricter in the Netherlands like in many other European countries, decreasing the attractiveness of living off benefits and social assistance. The reemployment function has become a more central feature and a (more) active labour market policy has been implemented, including more obligations and responsibilities for citizens. Unpaid work (raising children, care, voluntary and community work) is no longer treated as a full alternative to paid work. Therefore the (political) assumption is that when one is able to work, one must work, whatever one's personal conditions. Discursive changes in the names of benefit schemes illustrate this: from "Act for Social Assistance" to "Act Work and Social Assistance", and from "Act Work Disability" to "Act Work and Income according to Employability". To achieve the goal of an inclusive labour market, municipal governments have gained more discretionary power to adjust the policy implementation to local and individual needs. Also, responsibilities for single Acts are increasingly transferred to one institution - be it employers, municipalities or UWV's.

Unemployment

People who involuntarily lose their salaried job, can apply for the WW (Unemployment Act). This act is carried out by the UWV, which focuses primarily on getting the applicant back to work. When fired or unemployed because a part-time or temporary contract runs out, one can apply for the WW. One can receive benefits from the WW for at least three months and a maximum of 38 months, depending on one's employment history. For the first two months, the replacement rate is 75% of the last earned salary, and is then lowered to 70. Since 2009, the WW is entirely financed by premiums collected from the employers.

Over the past fifteen years, entitlement to unemployment benefits has been increasingly linked to employment history, but also to actively seeking work, the willingness to readily accept employment offers and participation in training and further education programmes. Refusing these obligations may result in a cutback or cancellation of one's benefit income. Only in the case of single parenthood and a child under five years of age do UWV's relax the obligation. In all other situations, the personal coach from the UWV can decide whether an applicant is exempted or not. The elderly can be exempted if access to the labour market appears too unrealistic or when they spend many hours in voluntary work. Other situations allowing an exemption may be family illness or caring tasks for children under twelve years of age (for example when there is no adequate child care provision).

A continuing problem in Dutch social security has been the high number of people receiving (partial) disability benefits. Over time, the employers have become more responsible for paying and reintegrating ill and disabled employees, giving them incentives to avoid inflow. Also, employees face tougher checks, lower benefits and stricter requirements. Still, there are more than 700,000 people receiving (partial) disability benefits, which accounts for almost ten% of the labour force (CBS 2011a). Additionally, there has been a great increase in applicants for the benefits of the Act Work and Employment Support for Young Disabled (*Wet werk en arbeidsondersteuning jonggehandicapten, or Wajong*) - from 200,000 in 2010 to an estimated 400,000 in 2040 without government interventions. This could (partially) be explained by higher demands for cognitive, social and communicative skills in the current labour market (Besseling *et al.* 2009) and relatively easy accessibility.

Social assistance

The Act Work and Social Assistance (*Wet Werk en Bijstand, or WWB*) applies to citizens who receive none or too little income from work, complementing their income to 70% of the minimum wage (amounting to a maximum net of 649.52 Euros per month for a single

person). The benefits of the WWB are independent of one's last earned salary but depend on the household situation (single, pair or single parent) and the available capital. Applicants must actively seek for jobs in order to receive benefits - they are obliged to apply for vacancies. They can also be compelled to accept a job. It used to be that this was only the case when the job was "suitable", meaning that it somehow related to the educational background and work experience of the applicant. This has changed into "generally accepted" work, which means that it could be any job, as long as it is not illegal or poorly paid. As is the case for WW benefits, only single parents with a child under the age of five are exempted from this obligation - however, if a single parent has no proper education, s/he is required to follow an educational programme. Other exemptions are judged by the municipality itself.

The provision of social assistance was reformed in 1996 and in 2004, heightening municipal responsibility and discretion and emphasising employability. Municipalities now receive a budget to spend on the WWB of which surpluses are freely expendable, but shortages are not complemented. A complementary budget is received to spend particularly on reintegration services. In practice, the WWB upholds the Work First principle - nowadays circa 90% of all municipalities apply Work First programmes, which are relatively successful (Divosa 2010). However, especially in the beginning, priority was given to relatively "easy" cases (such as young job seekers), avoiding "difficult" cases such as older job seekers.

The relatively great discretionary power of municipalities has led to comprehensive approaches of social assistance claimants. For example, there are local governments working together with debt assistance organisations, to assure that people leaving the WWB scheme can cope with financial problems. Also, many municipalities co-operate with schools such as regional education centres (ROC's), focusing on preventing youngsters to apply for social assistance. The latter has been regulated by law in 2009 in the Act Investment in Youngsters (*Wet investeren in jongeren, or WIJ*), which states that young job seekers do not receive benefits. Instead they are offered a job and/or a training program. When accepted, they receive a salary from the employer or a complementary income from the municipality, which is part of the WWB budget. Related to this regulation is that, since 2007, students must continue their education until they are eighteen years old if they have not obtained a so-called "starter's qualification". There is some opposition to the WIJ, though, because municipalities state that they were implementing similar measures before the national policy came into force and that it has only contributed to bureaucracy.

3.3. Access to the labour market

Though labour market participation is relatively high in the Netherlands, it seems that the Dutch labour market is harder to access for non-western ethnic minorities than for native Dutch. Especially the younger age groups among ethnic minorities have the highest chances of unemployment - in 2010, the unemployment rate for under-25s was 23%, while this was 9.6% for native Dutch (CBS 2011a). Also, the labour participation of some ethnic groups, especially Moroccans and Turks, is below the Dutch average. A great proportion of non-western ethnic Dutch receives social security benefits (22% in 2007; native Dutch 12.6%). There are indications that discrimination takes place. For instance, in times of economic downturn, the chances that unemployment rates increase for ethnic minorities are disproportionate to those of native citizens (SCP 2009). Also, people with an ethnic background have lower chances of being invited for a job interview than other citizens with similar qualifications (SCP 2010a). In some cases, the rejection of a non-indigenous applicant can be attributed to deficient language use, a history of "job hopping" (which is seen as negative), and extrinsic instead of intrinsic motivations during job applications. Especially people of Moroccan and Antillean descent are confronted with negative

stereotyping, while Turks and Surinamese are less affected. Yet, it appears that unemployed people with an ethnic background in the Netherlands also search less actively for jobs than their non-ethnic counterparts (SCP 2010b). Interestingly, despite the disadvantaged position of people with an ethnic background, there does not seem to be a specific focus on this group in the provision of social security programmes. Neither the municipalities nor the UWV's consider ethnic minority people to be a target group. Actually, more emphasis is laid on the educational and employment biography of applicants than on their ethnic background. In 2009, in the attempt to improve the connection between ethnic integration and work, the budget for immigrant integration (such as the provision of language courses) was combined with the WWB budget. There used to be an act that obliged employers to justify the amount of people with an ethnic background in their company. However, after five years, this act expired in 2004. Still, including citizens of ethnic minorities in the labour market is, for the most part, a responsibility of employers.

If we look at female labour participation, it varies according to ethnic and educational background. Of all lowly educated Turkish and Moroccan women only 30% is employed, while the participation of Surinamese and Antillean women does not differ much from that of native Dutch women (SCP 2010b). Regarding working hours, native lowly educated women on average work the smallest number of hours (22 hours). The highest participation rates are among the highly educated indigenous Dutch women (78%), while this is 50% of women with a lower education. Also, older women are participating less than young women (44.7% of all women aged 55-64 [Eurostat 2011]). Although female labour participation is rising, this is due to higher educational levels among women in general and not to higher levels of labour force participation among lowly educated women (SCP 2010c). Furthermore, women run a higher risk of illness or disability than men. For a great part, this is related to characteristics of the typical female sectors like health care and education, which show an above average influx in the disability scheme. Above all, single parents, who are mostly female, have very high chances to become dependent of social assistance - in 2011, 21.6% of all social assistance receivers is a single parent (CBS 2011a).

Another group affected by stereotyping are the elderly. Although unemployment rates are not particularly high for this group, the chances of long-term unemployment are significantly higher for the elderly than for others. Besides relatively high wage costs, the main reason for this is the image of older employees: *inter alia*, they are seen as less productive than young employees and are expected to run a higher risk of getting ill. Still, the older unemployed citizens are expected to find a new job - while WW or WWB applicants aged 57.5 and older used to be exempted from the job application obligation, nowadays the obligation applies to them too, unless there are attenuating circumstances. Recently implemented measures, such as wage subsidies, aim at encouraging employers to contract older workers, but the effectiveness of these measures are questionable.

In the largest Dutch cities, Amsterdam and Rotterdam, the proportion of people depending on social assistance is the highest of the Netherlands. In 2008, the figures for these cities were respectively 5.7% and 7.0% of all people above eighteen years old, whereas the national average was 2.3% (CBS 2011a). This is probably because single households and single parents are overrepresented in large cities - for the most part, social assistance receivers are single households (61.6% in 2011 [CBS 2011a]). The unemployment rates in these cities are also higher than average - in 2010, the unemployment rate for Amsterdam was 6.6% and for Rotterdam 8.8% (CBS 2011a). In general, it appears that neighbourhoods with high levels of unemployment in relatively large cities throughout the country also suffer from poor housing conditions, high proportions of lowly educated residents and of citizens with a migrant background, and high crime rates. However, at the regional level, unemployment is concentrated in the less urbanised North and South-East of the country,

especially among young job seekers. In these areas the density of Wajong applicants is high too. This all can be related to the demand of the local labour markets.

3.4. Recent developments

Severe cutbacks, as part of a big retrenchment plan of the current Cabinet, tend to dominate the current debate on social security policies. The budget of municipalities and UWV's that can be spent on reintegration programmes will be much lower. Firstly, UWV's will have less manpower to offer personalised services. One of the upcoming developments is the involvement of the Internet in the guidance of job seekers. Secondly, municipalities will rely more on their own reintegration services and less on the market. Thirdly, the integral service delivery of the UWV's and local Departments of Social Services will come to an end, because a majority of the UWV offices will have to shut down. This also means that the organisation of the UWV will undergo a process of centralisation. Finally, the government is planning on integrating all the social assistance regulations into one regulation for the "bottom of the labour market", once again tightening requirements for applications and decentralising tasks to municipalities, which is in general positively received by local governments, as long as it does not imply more bureaucratic procedures. Overall, it is likely that there will be less room for municipalities and UWV's to reintegrate vulnerable groups into the labour market, and that there will be more focus on people with easy access to the labour market. This may lead to a further marginalisation of people who are willing and expected to participate, but lack the means to do so effectively.

These developments all take place in the context of an ageing society and an economic crisis. The proportion of people aged 50 and older on the Dutch labour market has increased from 12% in 1991 to 27% in 2007 (Borghouts-van de Plas *et al.* 2009). The average age of workers is now around 39.5, while this was 35 in 1991. The labour participation of 55-64 year old citizens has increased from 30.5% in 1996 to 55.1% in 2009 (Eurostat 2011). The participation of the group aged 60-64 years has increased the most, but the amount of people willing to work even more so; as a result, the unemployment rate has increased particularly in this age segment (Rienstra *et al.* 2010). In order to promote the employment of older people, several measures have been implemented. As noted, employers can resort to wage subsidies to hire older workers, while the latter are encouraged to continue to work through tax incentives. Also, the attractiveness of early retirement has been reduced by lowering the duration of unemployment benefits for the elderly and removing tax incentives. In 2010, after intense debates, employers and labour unions agreed on a raise of the pension age from 65 to 66. The current Cabinet plans to raise the retirement age, but it is unclear when and how. Finding a way to fully utilise the labour population, coping with negative stereotyping of the elderly, is currently definitely a challenge for the Netherlands.

The economic crisis has especially hit the textile and metal industry, the agricultural and construction sector and some other sectors such as temporary work agencies. Furthermore, it has increased the risk of unemployment especially for under-25s, for men with low qualifications and for citizens with an ethnic background, which are all often employed in temporary jobs (SCP 2009). The latter group also has to fight the preference of employers to contract native Dutch workers, especially during economic downturn (SCP 2010a).

Innovations

The most successful local innovations that have been implemented during the last decade in the Netherlands are the Work First projects. These have been disseminated in almost every municipality throughout the country. Work First is now not only used for people with a short distance to the labour market, as was done in the beginning of implementation, but

also for citizens that have more difficulties to enter the labour market. The Work First projects are used for multiple reasons, namely prevention, reintegration and diagnosis.

Another innovation that has national appeal, but is still in its early days, is called the "participation ladder". The basics of the instrument are fairly simple: the ladder has six steps, each expressing a level of participation. The lowest four steps apply to people without a job contract, the upper two for people with a regular job (with or without guidance). On which step someone belongs is relatively easy to assess. At least annually, it will be registered on which step an applicant of a benefit scheme is located, and how many steps he or she can still make upwards. It is used by municipalities to increase the awareness of the local caseload (quantitative) and to get a better grip on the opportunities of clients (qualitative). It seems that the participation ladder will disseminate throughout the country - seventy municipalities are now implementing this new idea.

In the light of the inevitable cutbacks, the Dutch social security system will probably adopt more preventive approaches. Now already, municipalities are offering debt management tutorials, in order to prevent people becoming socially isolated due to huge debts. Prevention is also seen in combating the Wajong inflow. Here, attention is turned to schools. About 50% of all students participating in Special Education (education for students with mental or physical problems) ends up in the Wajong (Besseling *et al.* 2009). Some municipalities are trying to look for direct learn or work opportunities when students leave school, thus reducing the claim on the Wajong. Accordingly, the upcoming retrenchments can inspire local governments to adopt innovative preventive measures.

4. CHILD CARE

4.1. Demand and supply

Basic structure

In the Netherlands, children must be enrolled in primary school by the first day of the month that follows their fifth birthday. They are allowed, however, to attend school full-time as of the age of four. Most children indeed start going to school before they reach the mandatory school age, at four rather than five years old. *Pre-school* child care services in the Dutch context are thus for 0 to 4 year-olds.

According to the Act on Child care, formal child care services include: day care (*dagopvang*) for children aged 0-4, "host parenting" (*gastouderopvang*) for children aged 0-12, and before and after school care (*buitenschoolse opvang*) for children aged 4-12. However, since we are looking at pre-school services, in the Netherlands, one must also consider the so-called toddler playrooms (*peuterspeelzalen*) for 2 to 4 year-olds.

Specific opinions on child care matter for the choices that parents make in the Netherlands (van Gameren and Ooms 2009). Traditionally, the care (vs. the education) of children was considered to be a responsibility that rested with the family, in particular with mothers. The first day care centres were established during the 1960s when, as a result of post-war labour shortages, women were called to work to keep factories running. Since the very beginning, day care services were offered by private companies. Hence, such day care centres were only used in cases of dire necessity - throughout the 1970s and 1980s, leaving young children to be cared for by strangers was not just deemed to be "immoral"; it was also thought to be detrimental to the development of children (Bussemaker 1998). Perhaps not so surprisingly then, the labour force participation rate of women in the Netherlands was amongst the lowest of the EU until the 1980s. By the end of the 1980s, merely 4.4% of all 0 to 4 year-olds were going to a day care facility (Wetzels 2005). During the 1980s, when women started joining the active labour force, rather than bringing children to day care centres, parents often opted for (un)paid informal arrangements with relatives and/or acquaintances, commonly preferring to keep their children in a domestic environment. The professionalization of this domestic form of child care during the 1980s and especially the 1990s is what came to be referred to as "host parenting".

Playrooms are a somewhat different story. In fact, a fundamental difference between formal child care services and playrooms is that the first were intended to enable women to enter the labour market, while the latter appeared to stimulate the social development of children. As of the 1960s, when average family units became smaller in the Netherlands, toddlers were brought together in these playrooms so they could learn how to socialise by playing with their peers - attending a playroom was considered to be part of a child's education. The fact that toddler playrooms became a basic welfare provision of the Social Support Act (*Wet Maatschappelijke Ondersteuning*, or WMO) in 2007 clearly marks a persistent differentiation between private services that are meant to "care" for the children of working parents, and public services that are meant to "educate" all children.

Also, it must be noted that children can only attend playrooms for a few hours, as opposed to a full day. Hence, toddler playrooms are not exactly regular pre-school child care facilities like day care centres or host parents are. Still, in the context of the Netherlands, where it is common for women to work part-time and where it is not uncommon for

parents to prefer to bring their children to playrooms rather than day care, these too are here considered as a certain form of child care.

The new law on child care

In 2005, the first Act on Child care was implemented. This Act enabled parents to apply for financial support if they resorted to day care, host parents, and before/after school care. While all parents in the Netherlands are eligible to receive child allowances, parents are only eligible to receive child care benefits if they are both employed, studying, or following a special training program (*re-integratietraject*). In fact, central to the Act on Child care is the idea that parents, the government and employers should all (equally) contribute to the costs that arise from the need for child care. Initially, employers were encouraged but not compelled to contribute. Since 2007, employers have been obliged to contribute through the imposition of a supplementary tax. All working parents, regardless of their income, are entitled to receive the contribution from their employers, which amounts to 1/3 of the total costs spent on child care per household. In addition, there is an income-related contribution from the state, which corresponds to a certain percentage of the costs incurred for child care. How high this percentage is depends on the (joint) income of the parent(s), the number of children that are placed in child care facilities, and the total costs of these services. Generally, the lower the income, the higher the percentage contributed by the state. The percentage of the total cost for child care that is left after adding up employer and state contributions is what parents themselves have to pay. In practice, parents engage in a contract directly with private service providers, and pay the entire bill. Depending on their income, they may then gain a larger or a smaller part of this cost back from the tax services (which collect the contributions of the employers and of the state and redistribute the combined amount hereof to the parents all at once).

The introduction of child care benefits in 2005 significantly reduced the price that working parents had to pay to make use of formal child care facilities. This prompted an incredible surge in demand for these services. Day care centres, host parenting and pre/after school care have been a booming business ever since. In 2007-2008, the capacity of day care centres grew by 15% (Berkhout *et al.* 2009). As women in the Netherlands typically work part-time, on average, children are placed in child care facilities for 2-3 days a week. By 2008, ca. 284.000 children were able to go to day care (Berden *et al.* 2009). The number of children placed with host parents even grew 81% per year in 2006 and in 2007 (CPB 2008). Host parents, though, are for 0 to 12 year-olds (not just 0-4). Besides, a large part of this growth is due to the conversion of what used to be informal nannies into registered host parents.

In fact, since 2005, there has been a notable shift from informal to formal child care services. All together, the number of children using some sort of formal child care rose from 340.000 in 2004, to ca. 715.000 in 2008 (Commissie Kinderopvang 2009).¹ Of the children aged 0 to 4 that were using either formal or informal child care services, the share of children that were placed in formal child care facilities increased from 60% in 2004 to 80% in 2008 (Berden *et al.* 2009). By 2009, half of all the children in the Netherlands aged 0 to 4 years old were placed in formal child care facilities (CBS 2010a).

Since more and more children are going to formal, refundable child care services, the occupancy rates of playrooms have been decreasing over the last couple of years instead. Nevertheless, to this day, there are still working parents that choose to combine playrooms

¹ These figures are including before and after school care, which grew most of all. Since 2007, schools are obliged to arrange before and after school care if parents ask for it.

with host parenting and/or other informal arrangements rather than placing their children in a day care centre (Jepma *et al.* 2009). In 2006, the total number of places available in the existing playrooms was estimated at ca. 235.000 (Gemmeke and van Gent 2007). In 2008, these playrooms still had an average occupancy rate of 86% (Jepma *et al.* 2009).

4.2. Structure of the administration

Child care

It is only in 1990 that the first national policy on child care was implemented in the Netherlands. In that year, the Ministry of Welfare, Health and Culture, in collaboration with the Ministry of Social Affairs and Employment, launched a series of "Stimulation Measures on Child care", which aimed to raise the number of places available in private day care centres. Most notably, these measures introduced the idea that the costs for child care services should be divided not just among working parents and the government, but also among employers - the core of the Dutch approach to child care today.

As of the 1990s, local governments played an active role in the provision of day care services, buying places from private day care providers and offering these to parents in need at income-related rates. Initially, local governments received grants to implement the stimulation measure. In 1995, the responsibility for child care was entirely devolved to local governments, meaning it was financed through the municipal funds from then on. In the meanwhile, employers could buy places from private day care centres for their employees at reduced tax rates. The (better-off) parents that were able to buy places directly from the service providers could deduct some of these costs from their income tax as well. Thus, from 1990 to 2004, the government was subsidising the supply side of an otherwise too expensive private market.

With the implementation of the Act on Child care in 2005, the government changed tactics: child care was to be fully market-driven. Subsidies were redirected from the supply side to the demand side; parents were given benefits instead of tax reductions. A market-driven approach to child care would have made service providers more responsive to parents' needs, while competition would have reduced the prices. In this manner, parents were supposed to be free to choose the facility that suited them best.

Hence, since 2005, the role of local governments changed, from moderating the market for child care to supervising it. Local governments are now responsible for ensuring that service providers meet the quality requirements of the Act on Child care. The local health services (*Gemeentelijke GezondheidsDienst*, or GGD) carry out inspections following the guidelines of a generic assessment framework (*toetsingskader*), to which local governments can give their own touch if deemed necessary.

In fact, other than mentioning that child care services must provide "responsible care in a safe and healthy environment", the Act on Child care does not explicitly describe what "responsible care" is. The material that needs to be available, the layout of spaces, and how many minders are necessary for a certain group size, for example, are not specified in the Act on Child care. Therefore, in 2005, two of the largest associations representing child care service providers ("*de Branchevereniging voor ondernemers in de kinderopvang*" and the "*MOgroep Kinderopvang*") and the national association of parents with children in formal child care and toddler playrooms (*Belangenvereniging van Ouders in de Kinderopvang en peuterspeelzalen*, or BOinK) took the initiative to generate a commonly agreed upon "Covenant on Child care". Basically, child care service providers and users came together to define what they considered to be "responsible care". The Covenant is composed of a list of specific material and organisational requirements for different forms

of child care. The Covenant also strongly recommends that child care organisations take account of the views of parents in setting out their policies because, although the Act on Child care stipulates that every child care facility must have an association of parents, so far these are non-binding advisory commissions. The generic assessment framework that is used by the GGD during inspections is now based on the Covenant on Child care.

Other actors in the field have been focusing on the pedagogical aspects of child care more than on the structural aspects. Again, besides mentioning four basic pedagogical goals, the Act on Child care is rather vague concerning the way in which child care providers should achieve these goals. Therefore, in 2009, the National Platform of Child care Pedagogues (Landelijk Pedagogenplatform Kinderopvang) presented a detailed "pedagogical framework for 0 to 4 year olds". Furthermore, a team of developmental psychologists - the Dutch Consortium of Child care Research (*Nederlands Consortium Kinderopvang Onderzoek*, or NCKO) - developed a monitoring tool (called the "Kwaliteitsmonitor"), which day care organisations can use to assess and improve the pedagogical quality of their services.

While private and non-governmental actors in the field of child care are increasingly collaborating, governmental actors appear to be a little more uncoordinated. An example is that the NCKO "Kwaliteitsmonitor" was created with subsidies from the government, yet it was never adopted by the GGD. Instead, to control the pedagogical quality of child care services, the GGD developed another, similar device - something they call the "Tweede Trap" - with governmental funds, again.

In reality, the Ministry in charge of child care has changed four times over the last ten years alone. On the one hand, with so many transitions, some of the information that is gathered about the field and, especially, the expertise that public officials acquire, might be lost. On the other hand, that responsibility for child care, depending on the ruling parties, has been moving back and forth in between the Ministry of Social Affairs and Employment and the Ministry of Education indicates that child care policy in the Netherlands is at least tempted to move away from a purely economic efficiency rationale, in the direction of a more child-centred interest rationale (Bussemaker 1998).

Toddler playrooms

Playrooms were originally set up as voluntary associations. Local governments have been supporting the educational function of playrooms with a variety of subsidies ever since the 1970s. Today, playrooms are a basic welfare provision according to the Social Support Act (WMO), the implementation of which is the responsibility of local governments. Since the Act on Child care popularised day care facilities, the numbers of children that are attending playrooms have been decreasing. Facing budget constraints, local governments are cutting back on the subsidies granted to playrooms. Thus, some of the playrooms are currently forced to shut down. Others, to survive, have started teaming up with other playrooms and day care centre

Alternatively, playrooms now often obtain subsidies for the implementation of early childhood education programs (*voor- en vroegschoolse educatie*, or VVE). VVE programs were designed to help children with underdeveloped social and/or language skills, for them to "catch up" before they go to primary school. Consequently, VVE programs came to be implemented in playrooms first because these, compared to day care centres, have always played a more instructive role (although, lately, VVE programs are also increasingly offered in day care centres as well as special "pre-schools").

Local governments decide whether or not they will run a VVE program, and where. While regular playrooms are inspected on matters of safety and hygiene by the GGD, the Ministry of Education assesses the performance of VVE locations according to more specific didactic

criteria. Local governments also distribute the subsidies for VVE programs (which require trained personnel) but these subsidies are paid out of the budget of the Ministry of Education. In 2008, nearly half of all the playrooms in the Netherlands received subsidies for VVE (Jepma *et al.* 2009).

4.3. Access to child care

Affordability

On average, in 2009, parents paid 22% of total costs for formal child care facilities (CBS 2010a) - a low income family with 2 children attending formal child care facilities twice a week paid around 500 euros per year, a middle income family paid ca. 1,000 euros, while higher-income families could pay up to 4,000 euros (Bosma 2008). Toddler playrooms, which charged moderate (subsidised) fees, used to be cheaper than formal child care facilities. Nowadays, as playrooms are getting fewer subsidies, they tend to ask for higher (income-related) parental contributions, for which parents cannot claim compensation. Hence, for parents who are both working, it is often more convenient, both practically and financially, to bring their children to formal child care facilities than to playrooms. But for those families in which only one of the parents is working and who are thus not entitled to receive any benefits - which is often the case among (certain) ethnic minorities - formal child care is expensive. For these families, toddler playrooms are a more affordable option.

Also, the Act on Child care provides (partial) compensation on the basis of a set maximum hourly rate. In 2008, the maximum price that parents were allowed to ask compensation for was set at 6.10 euro per hour, both for day care and host parenting. In that same year, 29% of the day care centres were charging hourly rates that exceeded the refundable price limit (Paulussen-Hoogeboom *et al.* 2009). For the part of the price that is above the refundable rate, parents cannot claim any compensation at all. Although the majority of child care organisations seems to bear consideration for the maximum hourly rates that are reimbursed in setting their own prices, technically, they are free to decide how much they want to charge per hour. In locations where the supply is limited, the lack of competition allows service providers to charge higher prices (Berden *et al.* 2009). Besides, the hourly prices of child care services have continued to increase since 2005 (Paulussen-Hoogeboom *et al.* 2009). While the maximum hourly rate set by the state was raised accordingly during the first couple of years, last year, for host parenting it was reduced to 5 Euro per hour. The likelihood that parents have to pay more than what they can claim through benefits is growing.

Availability and accessibility

Despite the sizeable increase in the capacity of child care services since 2005, still there are waiting lists (especially for Mondays, Tuesdays and Thursdays). These may have been decreasing in length recently, but they have not yet disappeared. Moreover, there are significant regional differences: in 2009 there were 10 times as many children on a waiting list for day care in the West of the Netherlands as there were in the North and in the South of the country (De Weerd and Dekker 2009). On average, in 2009, parents had to wait 2-3 months to obtain a place in a day care facility.

The main selection criterion among parents in the Netherlands is not so much quality or price, but location - most parents look for a child care facility in the vicinity of where they live or work to limit the amount of time spent on travelling (van Ham and Mulder 2005). Generally, there are more child care service providers in highly urbanised provinces than there are in more rural provinces (Berkhout *et al.* 2009). However, normally there are also

more children in urban areas. Despite that fact that accessibility to child care facilities may be higher in urban municipalities, availability in a child care facility nearby tends to be lower (which is reflected in the longer waiting lists in the West of the country, where the four "big cities" are located). Furthermore, within urban municipalities, on average, there are slightly less day care facilities within a 10-minute radius in the so-called "problem areas" (*krachtwijken*) than there are in other neighbourhoods (Berden *et al.* 2009).

Equal opportunities

During the 1990s, it was primarily highly educated, indigenous Dutch parents that placed their children in day care centres - mainly because they were the ones that could afford it. Since 2005, more parents with lower educations/incomes have been able to place children in formal child care too. Nevertheless, in 2007, 35% of the mothers with a low education used formal child care facilities, against 60% of the highly educated mothers (CBS 2009). Moreover, parents with an ethnic background are still less likely to resort to formal child care facilities than indigenous Dutch parents (CBS 2010b). Some ethnic minorities, however, use formal child care more often than others - in particular, more children of Surinamese (35%) and Antillean (45%) descent are placed in formal child care than children of Turkish (15%) and Moroccan (12%) descent (CBS 2010b). These differences suggest that, other than affordability, cultural preferences may also influence the choices that parents of ethnic minorities make (just like it does among the Dutch). In any case, VVE programs are increasingly drawing children of ethnic minorities and of parents with lower educations to playrooms (Gijsberts and Dagevos 2009). Therefore, lately, the media have been expressing concerns about the rising segregation between "black" playrooms and "white" day care centres.

Interestingly, a recent study of the NCKO showed that since day care centres were subjected to market forces, their pedagogical quality, rather than improving, severely deteriorated (De Kruijf *et al.* 2009). Whereas 6% of all day care centres had scored an insufficiency in 2001 in terms of pedagogical quality, in 2008, 49% scored an insufficiency and 51% scored average - overall, there were no "good" day care centres left. Furthermore, this same study revealed that many day care facilities did not comply with basic structural requirements, such as the maximum number of children allowed per child-minder, for example. As playrooms have long been considered separately from the other forms of child care, at this stage, the pedagogical quality of playrooms has not yet been compared to that of day care centres. Nonetheless, considering that the purpose of playrooms has always been to encourage the development of children, one may assume that playrooms would score better than day care centres in terms of their pedagogical quality. Thus, in a way, children who go to a playroom are better off than those who go to a day care centre; even more so if they are following a VVE program.

The problem, however, lays in the fact that playrooms that offer VVE are linked to specific primary schools. Children can start VVE programs at various ages, but they usually last until they are 5-6 years old - these programs are intended to promote continuity in the learning process between pre-school education and primary education. This means that the children that are doing a VVE program in a certain playroom generally end up going to a particular school later on in life. If children of an ethnic background are overrepresented in the playroom, chances are high that the primary school they will go to after is also labelled as a "black" school. Since teachers in such schools are inclined to have lower expectations from their pupils, the potential that children have might not be stimulated enough - it is here that unequal opportunities begin to develop.

Finally, for women to have equal opportunities as men on the labour market, immediate access to child care services is particularly important, considering that the maternity leave in the Netherlands is extremely short compared to other countries: merely 16 weeks in total, of which maximum 12 weeks after childbirth. For fathers, the legally allowed leave is only two days. Both parents however, have the possibility to enjoy parental leave, which allows them to reduce working hours temporarily, although for most employees this leave is unpaid. Recently, various attempts were made to have the maternity and the paternity leave prolonged, but so far these have failed. If parents cannot quickly place their children in affordable child care, in the Netherlands, the women would be the first to stop working.

4.4. Recent developments

Regulation

At the moment, one of the main issues in the discussion surrounding child care is the general lack of control over the recently "liberalised" market. At first, these concerns appeared because fraud was being committed with child care benefits. Then, because the more alarming news came out that an employee of a day care centre in Amsterdam (who had already been convicted abroad for the distribution of pornographic material) had molested dozens of children. In response, the government introduced stricter regulations and a new National Registry on Child care (instead of in the old municipal ones).

When the Act on Child care was introduced in 2005, it had a very lenient interpretation of what constituted a "host parent" - parents were able to claim benefits even if their children were taken care of by their own grandparents, for example. In 2010, the Act on Child care was amended, sharpening the criteria to be met by a formal host parent. Since then, host parents must have a diploma to work in the care sector, a certificate of good conduct, a first-aid certificate, the location in which they look after the children needs to pass the inspection of the GGD, and all host parents need to sign up with a host parenting agency (*gastouderbureau*), through which all payments are made. In addition, since 2010, for parents to be able to receive child care benefits, the child care facility they use must be registered in the National Child care Registry (*Landelijk Register Kinderopvang*). To sign up for this national registry, service providers first need to be inspected by the GGD. The National Child care Registry thus serves several purposes: to provide the government with a clear overview of the (distribution of) existing child care facilities, and to enable parents to distinguish "good" from "bad" child care facilities.

Cutbacks

Since child care benefits were introduced in 2005, there has been a large increase in the use of formal pre-school child care services (as well as pre/after school care). On the one side, that the number of double-income households keeps rising shows that, to some extent, child care benefits do have the desired effects - more women are joining the labour force (CBS 2011b). On the other side, child care benefits are costing the government much more than it ever anticipated. In 2009, (all) child care benefits amounted to approximately 3 billion Euros (CBS 2010a). While, apparently, the relatively small increase in the labour force participation rate of women does not balance out these costs (Jongen 2010).

Hence, the government is planning to save one billion Euros in child care benefits from now to 2015. The share of the total costs for formal child care that parents must pay themselves has already slowly been rising over the last couple of years. It has just been raised again for this year too. Whereas parents paid 18% on average of the total costs for child care in 2008, it is estimated to rise to an average of at least 26% in 2011 (Buitenhek

Management and Consult 2010). This increase will affect the lower and middle-income households most of all, as it is only the contribution of the state that diminishes - the employers' contribution stays untouched. It remains to be seen what the consequences of these cutbacks will be.

Harmonization

Gradually, the distinction between the goals of formal pre-school child care services to care for children and of toddler playrooms to educate children is fading. Different actors in the field of child care seem to agree upon the fact that all forms of pre-school child care services should play a role in the actual development of children (Brouwer *et al.* 2010).

The Education Council has called for further harmonisation of pre-school child care services in the Netherlands (Onderwijsraad 2008b; 2010). Some steps are indeed taken to bring "caring" and "educating" facilities for 0 to 4 year olds closer together. So far, however, these are baby steps. For instance, in 2010, a law was implemented to align the criteria for playrooms with those for day care centres. In effect, different regulations continue to apply to different sorts of facilities (e.g. a child-minder in a playroom may be left in charge of a larger group of children than one in a day care centre). Also, the idea of multipurpose child facilities or schools ("*integrale kindercentra*" or "*brede scholen*") has been resuscitated. In these "integrated centres", several services that are concerned with (the care and upbringing of) children in one way or another - e.g. playroom, day care, primary school, welfare organisations, sport facilities, etc. - are accommodated together in one location. Different pre-school services within these centres are not yet harmonised, but they are showing signs of renewed collaboration.

Essentially, to attain the harmonisation of different sorts of child care facilities is going to require a new, comprehensive legal framework (Onderwijsraad 2008a). Recently, the Dutch Labour Party (*Partij van de Arbeid*) proposed to amend the Act on Child care so that all forms of child care would become a basic welfare provision. Although this proposal came close to being passed, it did not make it. But it was not discarded either. The field of child care in the Netherlands remains fragmented, for now.

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THE WILCO PROJECT

Full title: Welfare innovations at the local level in favour of cohesion

Acronym: WILCO

Duration: 36 months (2010-2013)

Project's website: <http://www.wilcoproject.eu>

Project's objective and mission:

WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The results will be directly connected to the needs of practitioners, through strong interaction with stakeholders and urban policy recommendations. In doing so, we will connect issues of immediate practical relevance with state-of-the-art academic research on how approaches and instruments in local welfare function in practice.

Brief description:

The effort to strengthen social cohesion and lower social inequalities is among Europe's main policy challenges. Local welfare systems are at the forefront of the struggle to address this challenge - and they are far from winning. While the statistics show some positive signs, the overall picture still shows sharp and sometimes rising inequalities, a loss of social cohesion and failing policies of integration.

But, contrary to what is sometimes thought, a lack of bottom-up innovation is not the issue in itself. European cities are teeming with new ideas, initiated by citizens, professionals and policymakers. The problem is, rather, that innovations taking place in the city are not effectively disseminated because they are not sufficiently understood. Many innovations are not picked up, because their relevance is not recognised; others fail after they have been reproduced elsewhere, because they were not suitable to the different conditions, in another city, in another country.

In the framework of WILCO, innovation in cities is explored, not as a disconnected phenomenon, but as an element in a tradition of welfare that is part of particular socio-economic models and the result of specific national and local cultures. Contextualising innovations in local welfare will allow a more effective understanding of how they could work in other cities, for the benefit of other citizens.