

## 5. The silent transformation of the Dutch welfare state and the rise of in-work poverty

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### INTRODUCTION: WELFARE STATES AND IN-WORK POVERTY

Until recently, scholars argued that different welfare state regimes create different kinds of poverty. The typical face of poverty in liberal welfare states such as the USA is that of the working poor. The relatively large number of working poor in the USA is a consequence of the central characteristics of a liberal welfare state (Esping-Andersen, 1990). The combination of marginal social protection and low minimum wages creates a situation in which vulnerable people are often forced to work but remain poor (Jencks, 2005; Neubeck, 2006). On the other hand, because of the low wage levels in the USA, there is ample low-skilled and low-paid work available for those people who depend on this segment of the labour market. Such jobs are often lacking in the more developed welfare states of the European continent. As a result, there are many US citizens who work but are nevertheless poor. Moreover, working poor individuals often have to combine several low-paid jobs in order to make ends meet – a situation that has been vividly described in ethnographic studies about the American working poor (Ehrenreich, 2002; Newman, 1999; Venkatesh, 2006).

The typical face of poverty in the European welfare states – especially those on the European continent – is rather different. Continental European or ‘corporatist’ welfare states tend to become ‘welfare states without work’ (Esping-Andersen, 1996). Because of the higher levels of social security in these countries – mostly in the form of a social safety net for all citizens – those who do not work or are unable to work can generally rely on social security or means-tested social assistance. The relatively high legal minimum wages in the Continental European welfare states

protect the working population but also make labour relatively expensive. As a consequence, low-skilled labour becomes unprofitable and tends to be excluded from the formal labour market. In short, the Continental European welfare states have high levels of social security but tend to exclude vulnerable groups – especially low-skilled workers – from the labour market. The corresponding typical face of poverty in countries like the Netherlands is (or was) that of ‘persistent state dependency’: the Dutch poor mostly did not work, but lived on social benefits (Engbersen, 1995; Engbersen et al., 2006).

The risk of this kind of comparison of welfare state regimes (liberal versus conservative welfare states), however, is that they tend to be static and often overlook institutional changes within separate countries. Indeed, Esping-Andersen insists that the characteristics of welfare state regimes are so much anchored in historical institutions that fundamental changes are hardly thinkable (the axiom of ‘path dependency’ or ‘institutional immobility’; Esping-Andersen, 1996; Pierson, 1994; 2000).<sup>1</sup> Others point out fundamental changes that have taken place in contemporary welfare states. In the case of the Netherlands, Visser and Hemerijck (1996) argued that small reforms in labour conditions, monetary policies and social security have resulted in significant changes in social security: less social protection, less generous social benefits and more ‘activating’ labour market policies (cf. Hemerijck and Visser, 2006). Gilbert (2002) observed a transformation of the welfare states in both the USA and Europe, from the traditional welfare state to an ‘enabling state’. Universal and unconditional social security systems that offered protection from the social risks of the free labour market (‘decommodification’) were typical for the ‘old’ welfare state. The new enabling state, on the other hand, emphasizes the promotion of work rather than social protection. The central aim of the enabling state is to prevent social exclusion and to stimulate citizens to work (= ‘social inclusion’). Social security contains financial incentives and sanctions that stimulate benefit claimants to return to the labour market. Universal and unconditional social benefits are gradually replaced by selective arrangements for a more restricted group of households that are really unable to provide for their own incomes through formal work (Gilbert, 2002: 43–7).

Gilbert’s argument is *not* that US and European welfare states are converging, but rather that they are developing in a similar direction: less social protection and more emphasis on ‘activating’ measures and promotion of work. Such institutional reforms are visible in the Netherlands as well. As early as the late 1980s – at the height of the economic crisis – social benefits were actually reduced (by an average of 10 per cent) and subsequently frozen for many years. The problem, however, as it was then perceived, was

excessive dependence on disability benefits (often referred to as the 'Dutch disease'). In 1987, a drastic revision of the Dutch Disability Insurance Act (Dutch acronym WAO) was issued, the first of a whole series of revisions in the WAO, which ended in 2006 with the repeal of the WAO and the introduction of a new act: Work and Income According to Labour Capacity. The name of this new act clearly shows its intention: people with health limitations are expected to work and earn their own income as far as their health enables them to do so. Partial disability benefits are only possible when people still work. This drastic policy change began in the mid-1980s with the removal of the measure stipulating that people with partial health limitations could receive a full disability benefit. Another drastic policy change which was initiated during those years was the gradual reduction of the duration of unemployment benefits. All these changes were intended to reduce persistent benefit dependence and to stimulate the resumption of work. However, in the early 1990s, it became clear that the welfare state reforms had thus far failed to achieve this objective. A new round of even more drastic adjustments to the Dutch social security system followed. These new policy interventions were inspired by a new definition of the problem. The problem of the Dutch welfare state was not only a financial one – the burden of many and persistent social benefits – but one of uncontrollability. The new social security reforms of the 1990s were therefore primarily aimed at influencing the behaviour of social benefit claimants, social security institutions and all the societal organizations surrounding the Dutch social security system. Van der Veen (1999) describes the new social security reforms of the 1990s as the transition from a *social right paradigm* to an *incentive paradigm*.

The successive changes in the Dutch social security and social assistance systems in the 1990s are too numerous to describe extensively here (see Aarts et al., 2002; Teulings et al., 1997; Van der Veen, 1999; Visser and Hemerijck, 1996). However, we can give some examples:

- *Disentanglement of the implementation of social security.* Interest groups such as employers and trade unions were disconnected from the social security system because they were held responsible for the enormous increase in social security dependence that occurred in the late 1980s.
- *Privatization of risks.* The risks of illness, incapacity and unemployment were 'returned' to employers – first by the differentiation of employer contributions (in case of incapacity or unemployment), and later by repealing all collective social protection for ill employees. Employers are now obliged to pay wages to sick employees during the first year (later the first two years) of their illness. The idea

was that employers would be more active in stimulating sick employees to resume work if they themselves were responsible for the employees' wages during the period of illness.

- *Further reduction of the level and duration of benefits.* During the 1990s, the level of disability and unemployment benefits was reduced further – from 80 down to 70 per cent of the claimant's former income. The duration of unemployment benefits is continuously being reduced. There is still no time limit on disability and social assistance benefits, although there is more pressure on benefit claimants to resume work.
- *More selective access to social benefits.* By using stricter criteria, the influx of employees with minor health limitations being covered under the Disablement Insurance Act was reduced. Under the new Work and Income According to Labour Capacities Act, partially incapacitated persons are denied access to the disability scheme altogether. They can receive income support only when they work. If not, they have to rely on (means tested) social assistance. Another example of more selective access to social security was when the right of social assistance for young people was replaced during the 1990s by the obligation to work (the so-called Juvenile Work Guarantee Scheme).
- *More conditional social benefits.* Unconditional social rights were gradually replaced by more conditional benefits – specifically, the condition to find work. A first example is widow's pensions: widows (of working age) are now obliged to find employment. Successive reforms of the Dutch Social Assistance Act, in particular, implied stricter requirements for single parents to find new employment. In the 1980s, single parents with children under 18 years of age were not obliged to work. Since 1996, however, only single parents with children under 5 have been exempted from labour market participation. With the new Work and Social Assistance Act, any single parent – irrespective of the child's age – is obliged to work (or at least to look for work or improve his or her labour market chances through education). Employees with minor health limitations and social assistance claimants in general were also confronted with stricter regulations aimed at promoting work (for instance, the use of financial sanctions or interruption of benefits).
- *'Activating' labour market policies.* Whereas in the 1980s, the Netherlands was heavily criticized for its markedly passive labour market policies, which created massive and persistent unemployment (Therborn, 1986), during the 1990s there was a fundamental change in the direction of 'activating' labour market approaches. In

particular, the cabinets of Social Democrats and Liberals (the so-called 'purple coalition') that ruled the Netherlands during the second half of the 1990s heavily emphasized work resumption (the cabinet's motto was 'Work, work, work'). One instrument for promoting work was extensive subsidized work programmes, which provided thousands of (often persistently) unemployed people with low-paid 'additional' employment.

In our view, the successive reforms that have taken place in the Dutch social security system from the mid-1980s until now have resulted in a silent transformation of the Dutch welfare state. Many of the reforms described above were implemented by the cabinet of Social Democrats and Liberals that was in power from 1994 until 2002. The Conservative cabinet that followed radicalized the social security reforms even further by issuing the new social assistance and disability acts that we already mentioned. However, these new reforms, which took place after 2002, are not included in our empirical analysis, since our empirical data only cover the period from 1985–2001.

Our main argument in this chapter is that the institutional reforms in the Dutch social security system that have been implemented since the late 1980s have implied a fundamental change in the nature of income poverty in the Netherlands. Until then, poor people in the Netherlands were predominantly (persistent) social benefit claimants. We will argue that the described social security reforms in the Netherlands – especially the stricter regulations to promote resumption of work by single mothers, employees with minor health limitations, and long-term unemployed persons in general – resulted in an increase in in-work poverty. As a result of the more selective and activating social security system that developed during the 1990s, social benefit claimants were pushed into the labour market. Labour market participation, however, does not necessarily imply an escape from financial poverty. In particular, (former) benefit claimants with weak labour market positions (in terms of employment or household characteristics) tend to remain poor even though they participate in the labour market. Our main hypothesis, therefore, is that the expected increase in in-work poverty is a consequence of the fact that people with weak labour market positions (low-skilled or part-time workers, people working in precarious service jobs, singles or single parents living in one-earner households) are being pushed from the social security system into the labour market.

However, we should also consider the possibility that the (expected) rise in in-work poverty in the Netherlands is *not* related to institutional reforms in the Dutch welfare state and social security system. The increase

in in-work poverty in the Netherlands could also stem from the more general economic and demographic developments that took place in the Netherlands in the (late) 1990s – such as an increase in low-paid work, part-time work, insecure low-paid service jobs, self-employment, increased female labour market participation, or an increasing number of singles, single parents and, more generally, of one-earner households.

This chapter analyses the development of in-work poverty in the Netherlands over the period from 1985–2001 by using statistical data from the Dutch Socio-Economic Panel. Our research questions are threefold (1) How did in-work poverty in the Netherlands develop during this period? (2) Who are the working poor in the Netherlands? (3) How can we explain the increase in in-work poverty in the Netherlands? The next section of this chapter outlines the empirical data and methodologies used in our analysis. The third section describes the development of in-work poverty in the Netherlands. The fourth examines the composition of the Dutch working poor population, in terms of their labour market characteristics, and their individual and household characteristics. In the fifth section we discuss our findings and our central hypothesis that the rise of in-work poverty in the Netherlands is directly related to the institutional reforms of the Dutch social security system in the last decades.

## DATA AND METHODS

### Database

The data used in our analyses are taken from the Dutch Socio-Economic Panel (DSEP), which existed from 1984 to 2002. Here we use the data from 1985<sup>2</sup> until 2001. In the first year DSEP still contained a limited number of respondents, making its data less reliable. In 2002, there was a major change in the method of income measurement. Unlike all previous years, information about household incomes was not derived from the survey, but directly from administrative data. Since this significantly influenced the outcomes, we decided not to use 2002 data in our analyses. The DSEP is an annual survey among 5000 households (around 10 000 adult individuals) and gives a consistent description of the socio-economic situation of households and individuals and – as a panel study – of changes in this situation.

Here, we make particular use of the data about household incomes and various background characteristics of the households and individuals involved. However, using statistical data collected over such a long period almost inevitably implies that the methods of data collection change over

the years. From 1984 through to 1989, the survey was held twice a year and asked for the current monthly income of households. These monthly incomes were then converted to annual incomes. From 1990 onward, the DSEP became an annual survey and asked (among many other things) for the household income in the previous year.

As a consequence, the DSEP now contains two different figures based on income data that were collected in 1989 (in the 1989 wave based on monthly incomes in that year and in the 1990 wave based on annual incomes in the previous year). Although this is not completely unproblematic, we decided not to change this situation – for instance, by regarding the 1990 wave as the 1989 wave (that is, the year the income data refer to, and so on for all following years). There were basically two reasons for this. First, all the other variables used in the analysis (including household composition and even some income components) refer to the year the survey was held. Second, we do not want to remove ourselves from the community of researchers using the DSEP and their customary way of interpreting DSEP data. However, the reader should keep in mind that our income data for the years after 1989 actually refer to the household income in the previous year.

### **Definitions and Measurements**

Being poor is defined here as living in a poor household. To establish whether or not a household is poor, we use the poverty threshold that is widely accepted in international comparative poverty research. A household is considered to be poor when its equivalized disposable household income<sup>3</sup> is less than 60 per cent of the median disposable income of all households in that year. In our analyses, we used the standard variable ‘equivalized disposable household income’ in DSEP. The equivalence factors used in DSEP differ from those used in other research – namely, 1 for the first adult in the household, 0.38 for each additional adult, and 0.15–0.30 for underage children, depending on their age and position in the household.

The population used in our analyses is adults of working age (15–64 years of age), with the exception of two specific categories. The first of these are households with negative disposable incomes (which appear frequently among self-employed persons). Second, and consistent with most Dutch poverty research, students were also excluded from the analyses. The reason for doing so is that when we only consider the (mostly low) incomes of students they will generally be considered as ‘poor’ (and when they have a small job, they will be considered as working poor). However, we do not consider students to be poor because they are aware that being a student

involves having a low income and choose this position in order to obtain much higher incomes later in their careers. In our perception, including both negative household incomes and students would result in an overestimation of the magnitude of poverty in a country. In our analyses, 'working' is defined as working at least one hour a week.

## THE DEVELOPMENT OF IN-WORK POVERTY IN THE NETHERLANDS (1985–2001)

This section describes the development of poverty and in-work poverty in the Netherlands from the mid-1980s until 2001. During these years, as we already mentioned, the Dutch economy was characterized by two major periods. In the late 1980s, the Netherlands faced a severe economic crisis and a large and persistent unemployment rate. The 1990s – particularly the second half of the 1990s – brought an economic recovery, economic prosperity and constant job growth. In the international literature, this period in Dutch economic history became known as the 'Dutch miracle' (Visser and Hemerijck, 1996). One crucial feature of the booming economy during these years was the strong increase in labour market participation. The number of employed persons (working at least 12 hours a week) increased from around 5.5 million in 1990 to 7 million in 2001; an increase of 25 per cent in only 12 years (see Table 5.A1 in the Appendix). Here we will describe what these changes in the economic tide implied for the development of income poverty – particularly of in-work poverty – in the Netherlands.

Figure 5.1 shows the development of the total poverty population (individuals between 15 and 64 years of age) in the Netherlands from 1985 to 2001. The figure shows that the size of the Dutch poverty population in the 1990s was considerably larger than in the 1980s. However, we should add that this outcome is strongly influenced by the relative poverty measurement (60 per cent of the annual median income) used in our analysis.<sup>4</sup> More importantly, since our focus is on the development of in-work poverty, Figure 5.1 shows a gradual shift within the Dutch poverty population from non-working poor to working poor (see also Table 5.A2 in the Appendix). In the mid-1980s, less than 3 per cent of all Dutch individuals of working age were poor *and* working. In 1990, 4.3 per cent of the Dutch population of working age belonged to the working poor. In 2001, the last year under examination, this figure had increased to 6 per cent. At the same time, the share of the non-working poor (as a percentage of the total population of working age) remained constant (it fluctuated between 4 and 6 per cent with no discernible trend). As a result of both tendencies, the ratio between the





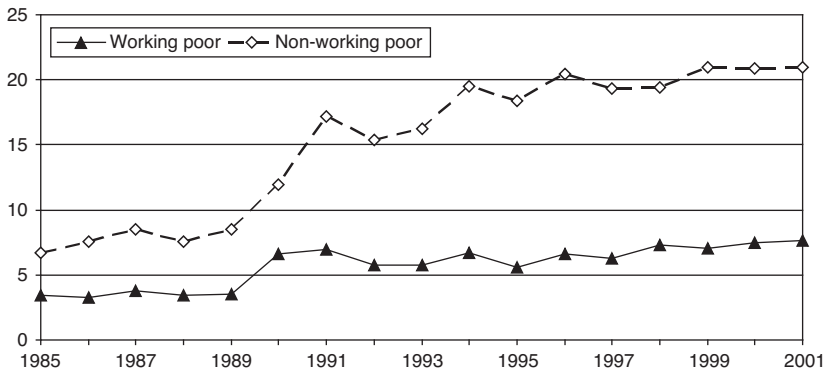
Note: Persons 15–65 years of age not including students.

Source: Dutch Socio-Economic Panel Survey 1985–2001; own computations.

Figure 5.1 Working and non-working poor persons in the Netherlands (% of total population)

two categories changed. Up until the mid-1990s, the majority of the Dutch poverty population of working age (15–64 years, students not included!) was not working. However, since the late 1990s, there has been a significant shift in the Dutch poverty population. Beginning in 1998, the majority of the Dutch poverty population was actually working. In 2001, not less than 57 per cent of all adult members of poor Dutch households were working. Although more recent empirical data are not available, we expect that number of working-poor individuals in the Netherlands will have increased further after 2001, because the transformation of the Dutch welfare state (less social protection, more emphasis on work promotion) was even more pronounced after that.

The conclusion can be that the economic boom and constant job growth that occurred in the Netherlands in the late 1990s went hand in hand with an increase in in-work poverty and a shift in the Dutch poverty population (from non-working to working poor). However, the increase in in-work poverty may just be the result of strongly increased labour market participation during these years. After all, with more people at work – as was the case in the Netherlands during this period – the number of working poor automatically increases even when the poverty risk for working people remains constant. If this is the case, the increase in in-work poverty in the Netherlands can simply be attributed to economic developments – especially to increased labour market participation during those years. But as Figure 5.2 makes clear, this is only one part of the story, because the



*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.2 Poverty risks of working and non-working persons in the Netherlands (%)*

poverty risk of employed persons (or the in-work poverty rate) also increased from a level of less than 4 per cent in the late 1980s to between 5 and 6 per cent from the early to mid-1990s, and to at least 7 per cent since 1998. The latter figure implies that one in every 14 working individuals in the Netherlands lives in a poor household. We can also conclude that the poverty risk for working people in the Netherlands almost doubled between the late 1980s and 2001 (and may have increased even further after that). Figure 5.2 also shows that the poverty risk for non-working people is significantly higher than that of working people and has also increased in the last decades; but this does not negate the fact that there has also been a significant increase in in-work poverty in the Netherlands since the mid-1990s.

To summarize our findings thus far, we can say that since the mid-1990s – that is, in a period that saw a booming economy, strongly increased labour market participation, and institutional reforms in the Dutch social security system – there has been a significant shift in the Dutch poverty population. Whereas until the mid-1990s, the majority of the Dutch poverty population was not working, since 1998 at least half (up to almost 60 per cent in 2001) of the Dutch poverty population was working. In our perception, these figures reveal a significant change in the character of the Dutch welfare state and social security system. Until recently, the typical face of poverty in the Netherlands was that of the non-working poor living off social benefits. Since the mid-1990s, a new face of poverty has arisen in

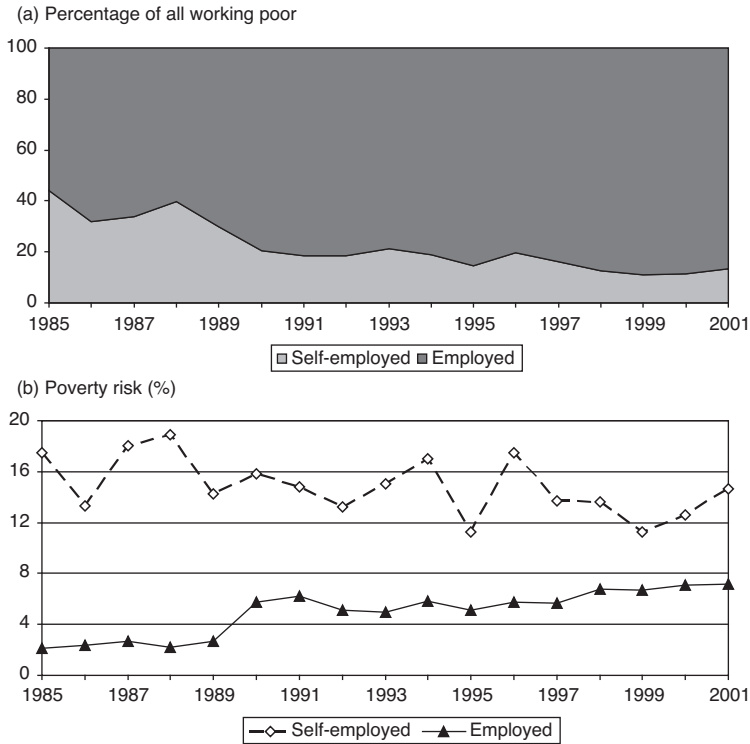
the Netherlands: individuals who are working – partly because they have been pushed from social security or social assistance back into the labour market – but are nevertheless poor. Furthermore, we have established that this increase in in-work poverty in the Netherlands is not only the result of increased labour market participation during those years (which, when the in-work poverty risk for working people remains constant, automatically results in more in-work poverty). In addition, working people now face a greater risk of income poverty – up to a point where shortly after the turn of the millennium, one in every 14 working adults (students not included) lived in a poor household. Although we do not have more recent empirical data, this number may have increased even further in recent years.

## WHO ARE THE WORKING POOR?

Who are the working poor? This section of the chapter describes the main labour market (employed versus self-employed individuals, working hours, occupational class), individual and household characteristics (gender, age, household composition and number of incomes in the household, educational levels) of the working poor in the Netherlands. We also analyse to what extent these labour market, individual and household characteristics of the working poor have changed in recent decades.

### **Labour Market Characteristics**

As international research shows, self-employed persons experience a higher in-work poverty risk than employees (Bardone and Guio, 2005). An alternative explanation for the rise of in-work poverty in the Netherlands in the 1990s may therefore be that the number of self-employed persons living below the poverty threshold increased. However, Figures 5.3(a) and 5.3(b) do not support this assumption. Although Figure 5.3(b) shows that self-employed persons in the Netherlands have a higher poverty risk than employees, the figure also makes clear that the poverty risks of both categories tend to converge. Whereas the poverty risk of the self-employed has tended to decline, the poverty risk of employees increased in recent decades (from little more than 2 per cent in the mid-1980s to around 7 per cent in the last three years under examination). Although self-employed persons are still over-represented in the Dutch in-work poverty population, this over-representation has been on the decline. As a result, as Figure 5.3(a) shows, the self-employed are a declining, not a growing share of the Dutch in-work poverty population.



*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.3* Employment, self-employment and in-work poverty

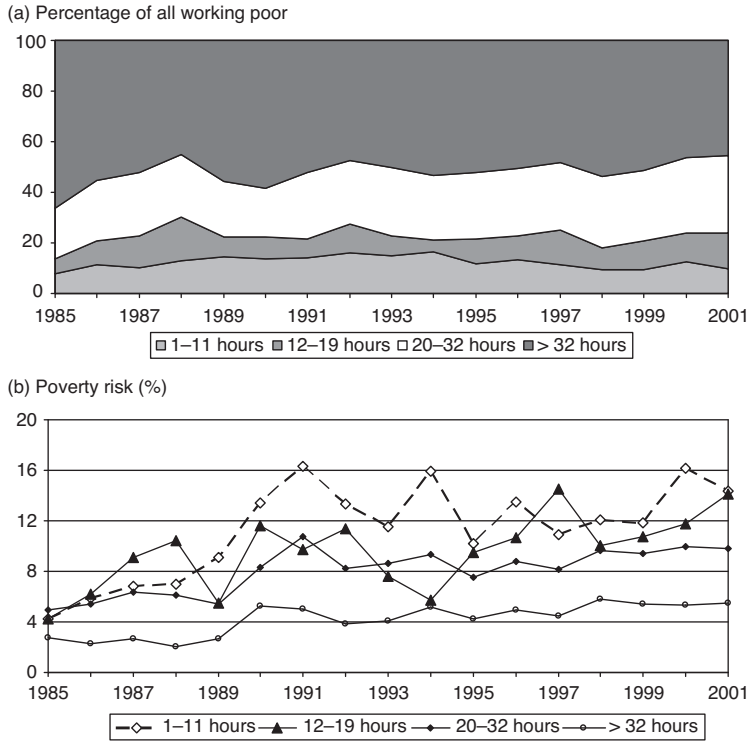
Another issue is part-time work. The Netherlands has experienced a strong increase in part-time work in recent decades, especially because of the huge influx of women into the labour force and the fact that many female Dutch workers work part-time (Visser, 2002). The so-called '1.5 breadwinner model' (the man works full-time, the wife works part-time) has become more or less the standard in the Netherlands. One could assume that the increase in in-work poverty in the Netherlands is the result of the large increase among women working in part-time jobs – especially because in our analysis, anyone who works at least one hour a week is defined as 'working'.<sup>5</sup> On the other hand, part-time work is not necessarily related to in-work poverty. Part-time workers (or low-paid workers in general) living in households with more than one

income have the possibility of pooling multiple incomes and are often not poor.

As Figure 5.4(a) shows, the increase in in-work poverty in the Netherlands in the second half of the 1990s was not the result of an increase in part-time work. In all years, full-time workers (people working at least four days a week) were the largest subcategory among the working poor. Between 1985 and 1993, the share of full-time workers among the working poor was quite constant (it declined with some fluctuations, from 55 to 53 per cent). In the following years, the share of full-time workers among the working poor fell further, to 45 per cent in 2001. Nevertheless, full-time workers are still the largest subcategory among the working poor. Figure 5.4(b) makes clear that the risk of in-work poverty is obviously related to the number of working hours. People working in small part-time jobs (less than 20 hours a week) have a larger poverty risk than people working in more significant part-time or full-time jobs (more than 20 hours). In particular, the in-work poverty risk for people working between 12 and 19 hours a week has exploded since the mid-1990s (from almost 6 per cent in 1994 to 14 per cent in 2001). However, the share of this subcategory among the working poor is too small to explain the overall increase in the in-work poverty risk in the Netherlands in the late 1990s.

The fact that in-work poverty appears to be unrelated to part-time work is not really surprising. Many part-time workers – especially those with small part-time jobs – are women from non-poor households who earn some income in addition to their spouses' earnings. These households are not poor, and the extra incomes from the wives' part-time jobs make them even less poor. However, we can assume that part-time work is strongly related to in-work poverty when there is only one income earner in the household (see Figure 5.9(a) and (b)).

A final labour market characteristic that is relevant in relation to in-work poverty is occupational class. It has been argued that structural changes in Western economies – in short, the shift from industrial to post-industrial employment – have also resulted in the rise of precarious and often low-paid service jobs. Esping-Andersen (1993: 25) even mentioned the rise of what he called the new 'post-industrial service proletariat'. These precarious new service jobs are concentrated in urban economies and are often filled by women, immigrants, and other population categories with weak labour market positions (Sassen, 1991; Snel et al., 2007). The increase in precarious, low-skilled service work may be another possible explanation for the increase in in-work poverty in the Netherlands. We measured the occupational class of the working poor using the class scheme developed by Esping-Andersen (1993). What is crucial to this approach is that he distinguishes two separate occupational hierarchies: the Fordist hierarchy



*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.4 Part-time work and in-work poverty*

(ranging from managers, clerical and sales occupations to skilled and unskilled manual workers) and the post-industrial hierarchy (ranging from professionals, technicians and semi-professionals to skilled and unskilled service workers). Here, we ‘collapsed’ Esping-Andersen’s class scheme into four basic categories: Fordist high, post-industrial high, Fordist low, and post-industrial low occupations. The latter two categories consist of skilled and unskilled manual or service workers.<sup>6</sup>

If the increase in in-work poverty in the Netherlands was indeed the result of an increase in precarious, low-skilled service work, we would expect this subcategory of the occupational structure to (a) account for a significant and increasing share of the Dutch in-work poverty population, and (b) have high and increasing in-work poverty risks. However, neither appears to be

the case. In 2001, for instance, skilled or unskilled manual workers ('Fordist low') formed a larger share of the Dutch working poor than skilled and unskilled service workers ('post-industrial low'; 30 versus 26 per cent). The relatively high share of persons working in managerial, clerical and sales occupations (25 per cent) among the working poor is also remarkable. Moreover, almost half of the Dutch working poor are persons working in higher Fordist or higher post-industrial occupations. As Figure 5.5(b) shows, the in-work poverty risks are indeed highest in the lower post-industrial occupations, but they are only marginally different from the in-work poverty risks in the low-skilled Fordist occupations. Moreover, the poverty risks of low-skilled service workers are not increasing. Overall, changes in the occupational class structure (especially the rise of precarious service jobs) do not explain the increase in in-work poverty in the Netherlands.

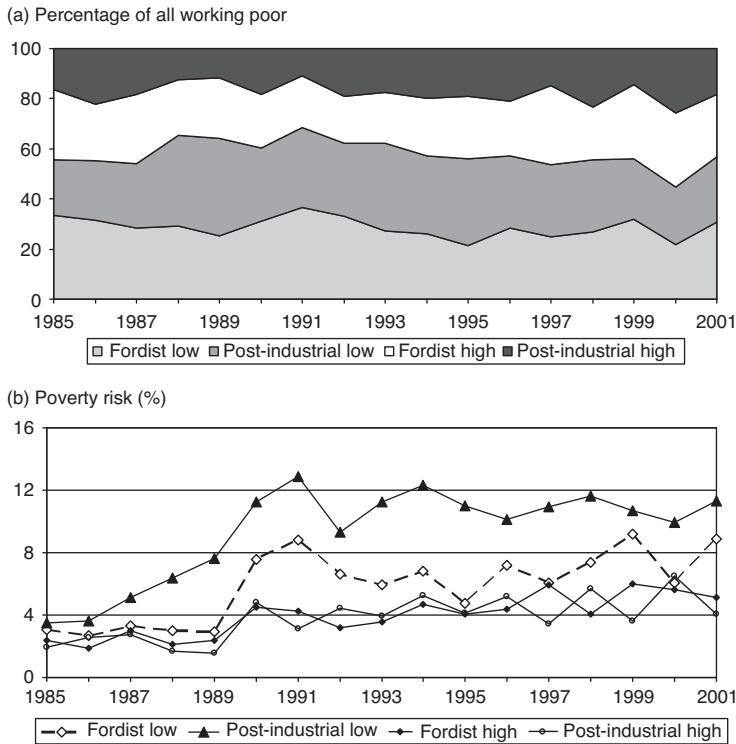
More generally, we can say that the labour market characteristics discussed thus far reveal little about the causes for the increase in in-work poverty in the Netherlands. This is less surprising than it seems to be at first glance. Increases in self-employment, part-time work and the number of low-qualified service jobs may result in an increase in the number of low-paid workers. However, having a low (individual) income is not the same as poverty, because poverty is measured at the household level. When people with low earnings live in non-poor households and can pool their own small incomes with those of their spouses, they are not necessarily poor. In other words, the individual and household characteristics of the working poor may be more significant than their labour market characteristics.

### **Individual and Household Characteristics**

In this section, we will describe four individual and household characteristics of the working poor: gender, household type, number of incomes in the household and educational level. We will start with in-work poverty and gender. One of the most important socio-economic developments in the Netherlands in recent decades has been the strong increase in female labour market participation. The female employment rate (that is, the number of employed women in relation to all women of working age) increased from 30 per cent in 1985 to 54 per cent in 2001 (see Table 5.A1 in the Appendix). More female labour market participation can contribute to in-work poverty when the new female labour market participants are over-represented in low-paid, precarious and part-time jobs. As we mentioned before, many Dutch women do indeed work in part-time jobs. However, part-time and low-paid work contributes to in-work poverty primarily when there is no possibility of pooling various incomes within the household; that is, in single-earner households.

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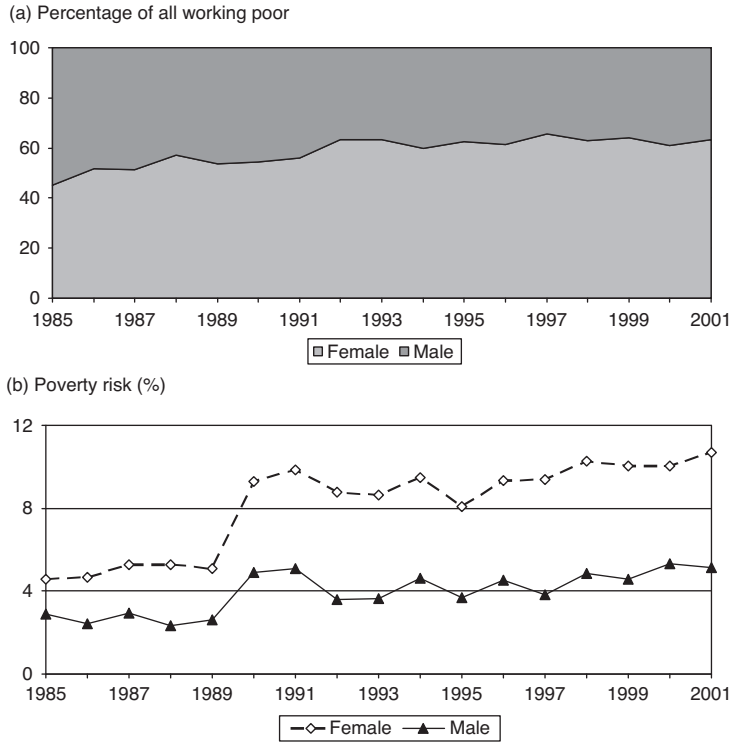
*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.5 Social class and in-work poverty*

As Figure 5.6(a) reveals, in-work poverty in the Netherlands is, to a large extent and increasingly, a female issue. This is a surprising outcome insofar as earlier research showed that in-work poverty in most European countries is predominantly a male phenomenon. The reason is that low-paid male workers are often single earners (the traditional breadwinner), whereas many low-paid female workers do not live in poor households (Bardone and Guio, 2005). However, this is different in the Netherlands. Since the early 1990s, at least 60 per cent of the Dutch working poor are women. Moreover, since the early 1990s, the in-work poverty risk for women has also been at least twice as high as it is for men (Figure 5.6(b)).





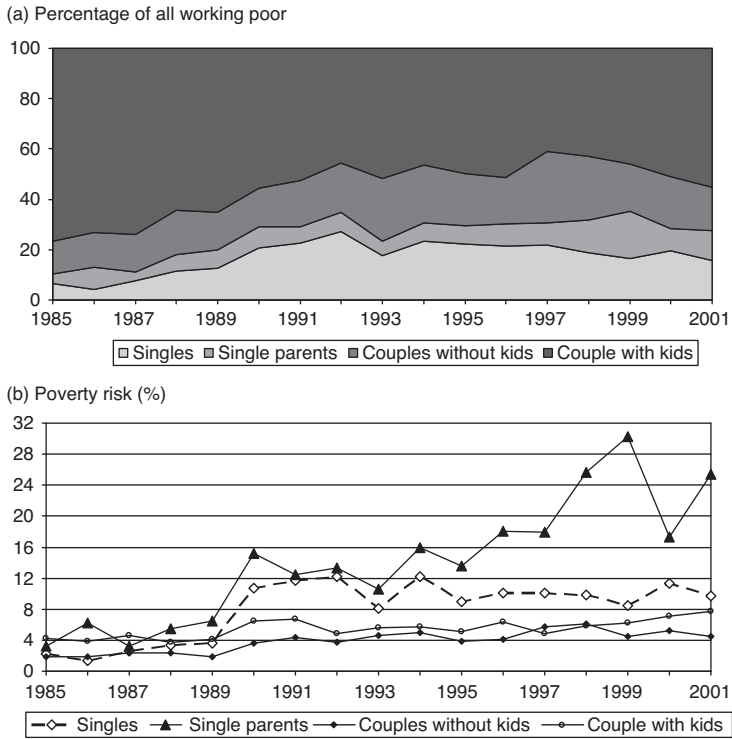
Note: Persons 15–65 years of age not including students.

Source: Dutch Socio-Economic Panel Survey 1985–2001; own computations.

Figure 5.6 Gender and in-work poverty

For the time being, we may conclude that the increase in in-work poverty in the Netherlands indeed seems to be related to the increase in female labour market participation. Not only do more women work (and thus have a chance of becoming working poor) but, more importantly, the in-work poverty risk for women also increased during the 1990s (Figure 5.6(b)). Both tendencies contribute to the increase in in-work poverty in the Netherlands. Later we will find, however, that gender has no direct influence on a person's odds of in-work poverty.

Another important factor is the household situation of the workers. As we argued before, low wages and part-time work only result in more in-work poverty in the case of singles and single parents who do not have the possibility of pooling various incomes within their households. Figures



*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.7 Household composition and in-work poverty*

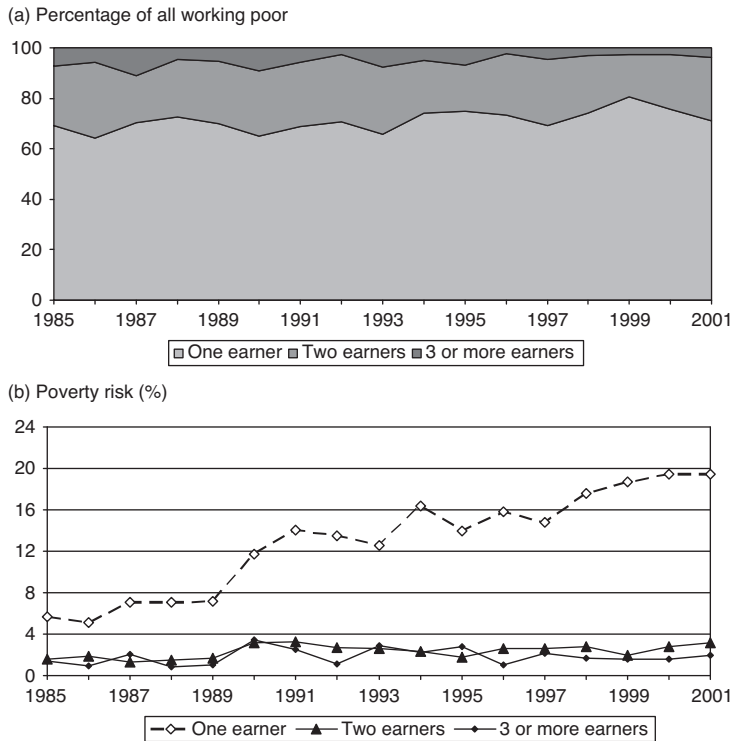
5.7(a) and (b) show the household composition of the working poor and the in-work poverty risks of various household categories. As Figure 5.7(a) shows, couples with children are still by far the largest subcategory among the working poor, although this category has shrunk over the years. The shares of singles and single-parent families among the working poor, on the other hand, have increased over the years, although all figures fluctuate heavily each year. In the late 1990s, one in three or four working poor individuals was either single or single parent. Moreover, as Figure 5.7(b) shows, the in-work poverty risk for single parents jumped higher in recent years (especially after 1996). Single parents were also an important category at risk of poverty in the 1980s and early 1990s, but then they were mostly not working. In recent years, more and more single parents do

work – undoubtedly because of stricter social security regulations concerning this category – but are still poor. Because of the need to combine work and caregiving, single parents can often work only part-time. For single parents, working part-time for a low wage almost automatically results in in-work poverty because almost by definition, they fail to have the possibility of pooling multiple incomes in one household. As a result of all this, one in three or four single parents in the late 1990s were working but nevertheless poor.

All of our outcomes thus far point more or less in the same direction. The crucial factor in explaining the rise of in-work poverty in the Netherlands is not so much the increases in self-employment or part-time work or the growing number of workers (particularly women) in low-qualified service jobs as such, but rather the fact that working people with weak labour market positions live in households without other adults with whom they can pool their incomes. To test whether this is true, we analysed the relationship of in-work poverty to the number of income earners in a household. The outcomes support our expectation that in-work poverty is strongly concentrated in single earner households – either families with a traditional (mostly male) single breadwinner or households of singles and single parents. As Figure 5.8(a) shows, the large majority (up to 80 per cent in 1999) of the Dutch working poor live in households with only one income earner. However, this is not something new. Single-earner households made up the large majority of the working poor in all the years under examination (1985–2001). Figure 5.8(b) shows, however, that the in-work poverty risk for single-earner households increased considerably during the 1990s (from 12 per cent in 1990 to 19.4 per cent in 2001). In other words, almost one in five working adults in single earner households is poor!

In our view, this development is directly related to the institutional reforms in the Dutch social security system described earlier in this chapter. Single earners are often working individuals with marked weak labour positions. This applies both to traditional male breadwinners (often immigrants) and to modern single-earner households (singles, single parents). In the 1980s and early 1990s, it was usually accepted that these individuals, who had few prospects on the formal labour market, lived off of social security. Beginning in the mid-1990s, many of these individuals with weak labour market positions were pushed into the labour market. But given their insufficient qualifications, they were unable to escape from poverty. As a result, they now work but are nevertheless poor.

A final individual characteristic covered in our analysis is the educational level of the working poor. For several reasons, we assumed that in-work poverty was strongly related to low-skilled work. First, given the shift from Fordist to post-industrial work, we expected to see an increase in in-

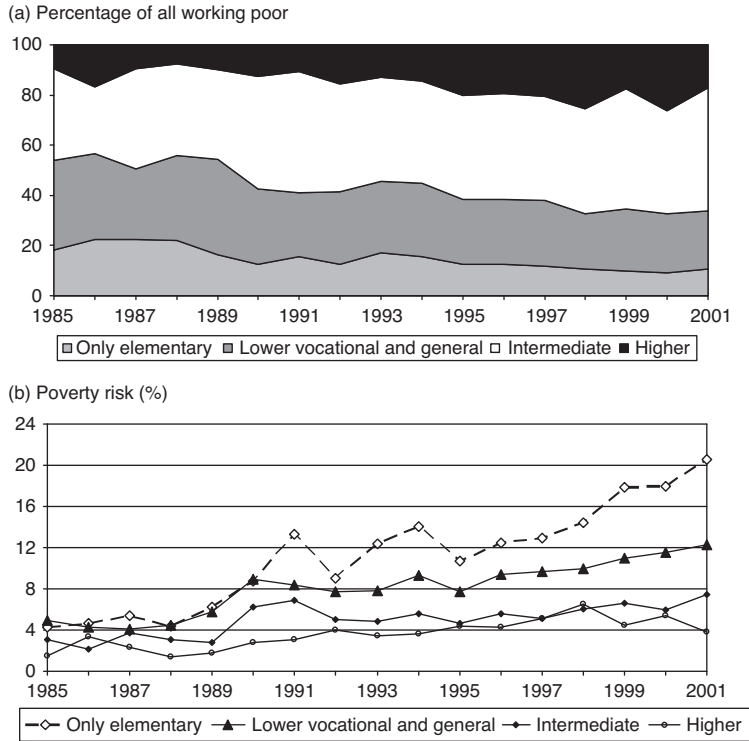


*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Figure 5.8* Number of income earners in the household and in-work poverty

work poverty because low-skilled work is less protected in the service industries than in the highly unionized industrial sector. Second, because of the institutional changes in the Dutch social security system, working people with weak labour market qualifications are less sheltered by social security and more often obliged to participate in the labour market – even when their income-earning capacities are limited. However, as becomes clear from Figure 5.9(a), a surprisingly large number of working poor individuals have at least an intermediate educational level (up to 66 per cent in 2001). We can thus conclude that in-work poverty in the Netherlands is certainly not restricted to the least educated workers.



Note: Persons 15–65 years of age not including students.

Source: Dutch Socio-Economic Panel Survey 1985–2001; own computations.

Figure 5.9 Educational levels and in-work poverty

On the other hand, as Figure 5.9(b) shows, the in-work-poverty risks of low-educated workers (with only an elementary education) are significantly higher than the in-work poverty risks of all other categories. Moreover, the in-work-poverty risks of low-educated workers more than doubled between 1990 and 2001 (from 8.7 per cent to 20.5 per cent). The in-work poverty risks of workers with lower vocational or general educations also increased, albeit to a lesser extent.

### Multivariate Analysis

Our description thus far has shown that self-employed persons, people working in part-time jobs and low-skilled service jobs, women, singles,

single parents – and one-earner households in general – and low-educated workers are over-represented among the working poor. However, these are strongly overlapping categories. For instance, women can be over-represented among the working poor because they work in part-time jobs more often. The multivariate analysis (logistic regression) in Table 5.1 shows what factors make a difference for a person's odds of in-work poverty and what factors do not. We used the data from the last cross-section (2001) and included all variables discussed thus far in the model, plus two additional variables (age and number of children in the household). The most interesting finding in Table 5.1 is that gender as such does not make a difference. Taking all other factors into account, women do not belong to the working poor more often than men do. Nor does the number of children in a household make a difference. All other factors show significant effects on the odds of in-work poverty.

Table 5.1 starts with the labour market characteristics discussed before. The odds of in-work poverty are around 2.5 (=1/0.397) times higher for self-employed individuals than they are for employees. Working hours also make a great difference. People with small part-time jobs (up to 20 hours a week) have an almost four times greater chance of experiencing in-work poverty than full-time workers (at least 32 hours a week). But even more significant, part-time jobs (20–31 hours a week) greatly increase people's odds of in-work poverty. Our expectation that working in lower service jobs increases the odds of in-work poverty appears to be wrong: the in-work poverty risk of workers in lower Fordist jobs is not significantly different. The odds of in-work poverty for individuals working in higher Fordist or post-industrial jobs are less than half of those for the low-Fordist reference category.

Household characteristics also make a significant difference for a person's odds of in-work poverty. Single parents belong to the working poor almost twice as often as the reference category of couples with children. This is what we expected; however, single persons belong to the working poor much less often than the reference category of couples with children. The most important factor, however, is the number of income earners in the household. The odds of in-work poverty for households with two or more income earners are less than 10 per cent of those for households with only one adult income earner. Educational level also makes a huge difference: in-work poverty appears to be heavily concentrated within the group of workers with the lowest educational level (only elementary education). Having a lower vocational or general education decreases the odds of in-work poverty by more than 50 per cent (compared with the reference category of workers with only elementary education). The odds of in-work poverty for people with a higher

*Table 5.1 In-work poverty risks in the Netherlands (2001) (logistic regression coefficients, standard errors, p values, odds ratios)*

Variable	coef.	s.e.	p	odds ratio
Constant	3.708	0.570	0.000	40.760
<i>Labour market characteristics</i>				
Employment status (Ref: self-employed)				
Employed	-0.924	0.274	0.001	0.397
Working hours (Ref > 32 hours)				
Small part-time (< 12 hours)	1.344	0.322	0.000	3.833
Middle part-time (12–19 hours)	1.384	0.271	0.000	3.992
Large part-time (20–31 hours)	0.894	0.195	0.000	2.446
Occupational class (Ref: Fordist low)				
Post-industrial low	-0.115	0.218	0.597	0.891
Fordist high	-0.787	0.211	0.000	0.455
Post-industrial high	-0.821	0.240	0.001	0.440
<i>Individual and household characteristics</i>				
Gender (Ref: male)				
Female	0.179	0.187	0.338	1.196
Household situation (Ref: couple with kids)				
Couple without kid(s)	-0.412	0.311	0.186	0.663
Single adult	-0.828	0.312	0.008	0.437
Single parent	0.598	0.273	0.029	1.818
Number of income earners (Ref: one earner)				
Two income earners	-2.708	0.189	0.000	0.067
Three or more income earners	-3.866	0.373	0.000	0.021
Educational level (Ref: only elementary)				
Lower general or occupational	-0.876	0.307	0.004	0.416
Middle general or occupational	-1.074	0.279	0.000	0.342
Higher occupational	-1.738	0.344	0.000	0.176
University	-1.487	0.413	0.000	0.226
Number of children	0.119	0.118	0.315	1.126
Age	-0.080	0.008	0.000	0.923
N	4039			
-2 Log likelihood	1382.931			
Pseudo-R2 (Nagelkerke)	0.332			

Source: Dutch Socio-Economic Panel Survey 2001.

vocational or university education are only one-fifth of those for the reference category of workers with the lowest educational level. Finally, age also makes a difference. The effect of age is negative: the in-work poverty risk is higher for younger persons.

## DISCUSSION

In this study, we showed that the major economic boom and constant job growth in the Netherlands in the second half of the 1990s (the so-called 'Dutch Miracle') went hand in hand with an increase in in-work poverty. Between 1990 and 2001 – at the height of the economic boom – the in-work poverty risk increased from 6.6 to 7.7 per cent. In the 1980s and early 1990s, the majority of all poor adults of working age (15–64 years) were not working. Ever since 1998, more than half – up to 57 per cent in 2001 – of the Dutch poverty population in the working age was actually working. In this chapter, we argued that the rise of in-work poverty in the Netherlands is partly the natural result of increased labour market participation during those years (leading to more in-work poverty even when working people's odds of being poor remain constant). However, this is only part of the story. In addition, working people in the Netherlands now face a greater risk of income poverty, up to a point where one in 14 working adults (students with odd jobs not included) live in poor households. In our perception, these figures reveal a significant change in the character of the Dutch welfare state. Until recently, the typical face of poverty in the Netherlands was that of the non-working poor living off social benefits. Since the mid-1990s, a new face of poverty has emerged: individuals who are working – partly because they were pushed from social security or social assistance back into the labour market – but are nevertheless poor. In-work poverty is no longer typical only for liberal welfare states such as the USA, but has become 'normal' in the Netherlands as well.

Our main hypothesis in this study was that the rise of in-work poverty in the Netherlands is not so much the consequence of economic and demographic developments (more self-employment, more part-time and flexible work, the rise of low-skilled service work, more female labour market participation, individualization, more single-parent families, and so on), but of institutional reforms in the Dutch welfare state (more selective access to social security, reduction of the duration and levels of social benefits, activating labour market policies and more obligations to work). However, in our statistical analysis, we had no possibility of directly linking the level of in-work poverty in the Netherlands to these changes in the Dutch welfare state. Instead, we examined changes in the composition of the in-work poverty population in terms of both their labour market characteristics and their individual and household characteristics.

As far as labour market characteristics are concerned, we examined the employment status, the number of working hours and the occupational class of the working poor. We found that all these factors are significantly related to a person's odds of in-work poverty. Self-employed persons,



people working in small part-time jobs (less than 20 hours a week) and people working in skilled and unskilled Fordist or post-industrial occupations (note: not only low-skilled service jobs!) have significantly higher odds of in-work poverty than employees, people working more than 20 hours a week and people working in higher Fordist or post-industrial occupations. However, we argued that the increase in in-work poverty in the Netherlands since the mid-1990s cannot be attributed to changes in these labour market characteristics. The in-work poverty risks for self-employed persons, part-time workers and workers in low-skilled Fordist and post-industrial jobs have not increased over the years (since the early 1990s). Increases in self-employment, part-time work and the number of low-qualified service jobs may have resulted in a rising number of low-paid workers but, as we have argued, having an (individual) low income is not necessarily related to poverty measured at the household level. People with low-paid work who live in households with other income earners and pool their income with that of a spouse are generally not poor.

We also examined various individual and household characteristics (gender, household composition, the number of income earners in the household, and educational levels) of the working poor. A remarkable outcome is that gender as such does not explain a person's odds of in-work poverty. Although in-work poverty in the Netherlands – in contrast to other countries – appears at first to be a predominantly female phenomenon (during the 1990s, at least 60 per cent of the working poor were female), gender as such does not make a difference. Taking all other factors into account (part-time work, working in low-skilled service work, educational level, household composition and number of incomes in the household) there were no gender differences in the odds of in-work poverty.

All the other individual and household characteristics covered in the analysis do make a difference, however. The odds of in-work poverty among single parents are almost twice as high as the odds of couples with children. The odds of in-work poverty for households with two or more income earners are less than 10 per cent compared with the in-work poverty risk of households with only one income earner. In-work poverty also turned out to be related to educational qualifications: low-skilled working individuals have a much higher in-work poverty risk than working people with more human capital. Moreover, we saw that the in-work poverty risks of single parents, one-earner households and low-skilled working individuals increased during the 1990s. In other words, the point is *not* that there were more single parents, single-earner households and low-skilled workers during the 1990s, but that belonging to one or more of these categories resulted in an increasing risk of in-work poverty.

Behind these statistical categories, there are both new and traditional groups who are at risk with regard to in-work poverty: on the one hand, there are single parents who face the difficult combination of having to provide an income and taking care of the children alone and, on the other hand, there is the traditional male breadwinner who has to maintain a whole family with one single income. For both at-risk groups, however, it is first and foremost the case that low-educated individuals have a high poverty risk. Well-educated single parents or single breadwinners generally have sufficient human capital to avoid financial poverty (for single parents in the Netherlands this is documented by Hooghiemstra and Knijn, 1997). Low-qualified or unskilled single parents or single breadwinners – many of whom come from immigrant backgrounds – are especially unable to earn labour incomes that are sufficient to keep themselves out of poverty.

Finally, we assumed that the increased in-work poverty risks of these vulnerable social categories (single parents and other single earners, workers with health limitations and/or limited human capital) are related to the institutional changes in the Dutch social security and social assistance systems we described earlier in this chapter. Up until the early 1990s, these groups with limited chances in the labour market had more or less been given up on. It was generally accepted that these groups have few possibilities on the labour market and would therefore depend on social benefits indefinitely. However, this changed during the 1990s when new social policies emphasizing activation and labour market participation were put in place. As a result of successive social security reforms, vulnerable social categories were pushed into the labour market and urged to earn their own incomes. However, as our study makes clear, labour market participation does not always imply an escape from financial poverty.

## NOTES

1. Esping-Andersen (1996: 265), for instance, states that 'the alignment of political forces conspire just about everywhere to maintain the existing principles of the welfare state'.
2. We do not use the 1984 data because in this year income data were collected in the April survey while in all other years (in the period 1985–89) the household income was measured in the October survey. Because this may have distorted the information (periodical increase of wages, seasonal unemployment), we excluded the 1984 wave from our analysis.
3. The disposable household income refers to summed up income of all household members minus income transfers (such as paid alimony), income tax, expenses for income insurances, and so on. To make it more complex, there was another significant change in the method of income measurement in 1990. Until then, DSEP asked for the *net* monthly household income. Starting 1990, DSEP asked for the *gross* annual household income. In all years, this figure was converted into a (net) disposable household income by subtracting paid taxes et cetera.

4. The outcomes in Figure 5.1 differ considerably from other research findings about income poverty in the Netherlands in the 1980s and 1990s. Other studies usually find that income poverty in the Netherlands was much higher in the 1980s than in the 1990s (cf. Engbersen et al., 2000; SCP/CBS, 2005; Vrooman and Hoff, 2004). There are two explanations for the differences in outcomes. (1) The population examined in the analysis: this analysis is not about all Dutch households or individuals, but only about individuals of working age. (2) The definition of poverty: Dutch poverty research usually uses poverty measures that are more stable over the years. The relative poverty measure used here (60 per cent of the annual median income) tends to be less stable, especially in times of economic growth. When household incomes increase, so does the poverty threshold and *thus* the number of individuals or households below the poverty line. We have nevertheless used a relative poverty threshold in this analysis in order to make our outcomes comparable with the outcomes in other chapters of this book.
5. In official Dutch statistics, only persons who work at least 12 hours a week are counted as workers.
6. Unlike in Esping-Andersen's classification, we have also included sales personnel in shops and on markets in the category of 'Fordist low occupations'. In classifying the occupations of the DSEP respondents in terms of Esping-Andersen's classification of occupational categories, we gratefully made use of a classification scheme drawn up by Professor Robert Kloosterman (University of Amsterdam). To our knowledge, this classification scheme has not been published. The authors thank their Amsterdam colleague Professor Kloosterman for allowing us to make use of his work.

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## APPENDIX

*Table 5.A1 Number of working people, employment and unemployment rates in the Netherlands (1985–2001)*

	Employed persons (1000s)	Employment rate*			Unemployed persons** (1000s)	Unemployment rate		
		Overall	Males	Females		Overall	Males	Females
1985	4811	49	67	30	–	–	–	–
1986	5040	–	–	–	–	–	–	–
1987	5257	52	70	35	–	–	–	–
1988	5378	53	70	36	453	7.7	7.4	8.3
1989	5477	54	70	37	407	6.9	6.4	7.8
1990	5644	55	71	39	358	5.9	5.4	6.8
1991	5790	56	72	41	334	5.4	4.9	6.3
1992	5885	57	72	41	336	5.3	4.9	6.1
1993	5925	57	71	42	415	6.5	6.0	7.3
1994	5920	57	70	42	486	7.5	7.0	8.3
1995	6063	58	72	44	464	7.0	6.4	8.1
1996	6185	59	72	45	440	6.6	5.8	7.8
1997	6384	60	74	47	375	5.5	4.8	6.5
1998	6587	62	75	49	287	4.1	3.7	4.8
1999	6768	63	76	51	221	3.1	2.7	3.7
2000	6917	64	77	52	188	2.6	2.3	3.1
2001	7062	65	77	54	146	2.0	1.8	2.3

*Notes:*

\* Employment rate: working persons (at least 12 hours a week) as a percentage of the total population of working age (15–65 years).

\*\* Unemployed persons: registered as job seekers and available at least 12 hours a week.

*Source:* Netherlands statistics (statline).

*Table 5.A2 Working and non-working poor in the Netherlands (1985–2001)*

	Poor as % of total population in working age			Share of poverty population %		Poverty risk %	
	Working poor	Non-working poor	All Poor	Working poor	Non-working poor	Working poor	Non-working poor
1985	2.1	2.7	4.8	43.3	56.7	3.5	6.7
1986	2.0	2.9	4.9	41.0	59.0	3.2	7.5
1987	2.3	3.2	5.6	42.0	58.0	3.8	8.5
1988	2.2	2.7	4.9	44.4	55.6	3.4	7.6
1989	2.3	3.0	5.3	43.3	56.7	3.5	8.5
1990	4.3	4.1	8.4	51.6	48.4	6.6	11.9
1991	4.7	5.6	10.3	45.7	54.3	7.0	17.2
1992	4.0	4.8	8.7	45.3	54.7	5.7	15.4
1993	4.0	5.0	9.0	44.7	55.3	5.8	16.3
1994	4.6	6.0	10.6	43.6	56.4	6.7	19.5
1995	3.9	5.4	9.3	42.3	57.7	5.6	18.4
1996	4.8	5.6	10.4	46.0	54.0	6.6	20.5
1997	4.6	5.1	9.7	47.7	52.3	6.2	19.3
1998	5.4	4.9	10.3	52.6	47.4	7.3	19.4
1999	5.3	5.1	10.4	51.3	48.7	7.0	21.0
2000	5.8	4.7	10.5	55.2	44.8	7.5	20.9
2001	6.0	4.6	10.6	56.8	43.2	7.7	20.9

*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.

*Table 5.A3 Mean and median equivalized disposable household incomes (in Dutch guilders) and % of poor households in the Netherlands (1985–2001)*

Year	Reference period	Mean	Median	60% of median	Poverty rate %
1985	Monthly income in 1985	22 057	19 598	11 759	4.8
1986	Monthly income in 1986	22 655	20 183	12 110	4.9
1987	Monthly income in 1987	23 213	20 795	12 477	5.6
1988	Monthly income in 1988	24 085	21 530	12 918	4.9
1989	Monthly income in 1989	25 052	22 507	13 504	5.3
1990	Annual income in 1989	24 180	21 993	13 196	8.4
1991	Annual income in 1990	26 838	24 567	14 740	10.3
1992	Annual income in 1991	27 321	25 208	15 125	8.7
1993	Annual income in 1992	27 684	25 585	15 351	9.0
1994	Annual income in 1993	30 279	27 687	16 612	10.6
1995	Annual income in 1994	28 950	26 773	16 064	9.3
1996	Annual income in 1995	30 652	28 137	16 882	10.4
1997	Annual income in 1996	31 799	29 635	17 781	9.7
1998	Annual income in 1997	32 631	30 782	18 469	10.3
1999	Annual income in 1998	34 169	32 204	19 322	10.4
2000	Annual income in 1999	35 203	33 038	19 823	10.5
2001	Annual income in 2000	37 078	34 674	20 804	10.6

*Note:* Persons 15–65 years of age not including students.

*Source:* Dutch Socio-Economic Panel Survey 1985–2001; own computations.