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Poverty persists despite well-developed safety net



The Netherlands is a highly developed welfare state with a wide range of social security provisions, yet roughly one out of ten people lives below the 'low-income threshold' or poverty line, and the percentage of low-income households continues to rise, especially among immigrant communities. Many people do not claim their rights to social security, often because of a lack of information. This makes combating poverty a complex task, and demonstrates that greater outreach and client-focused implementation is essential.

Dutch Social Watch Coalition
Sita Dewkhalie¹

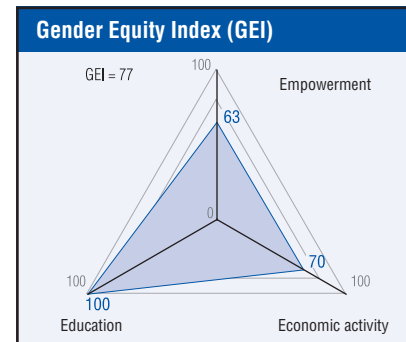
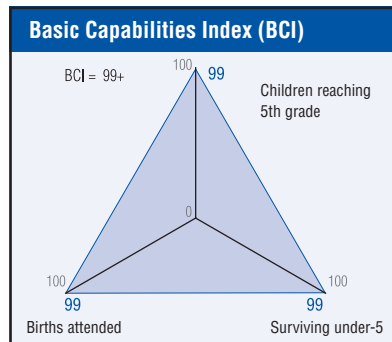
Poverty also exists in well-developed welfare states, including the Netherlands. As the new government that took power on 22 February 2007 acknowledges: "There are too many people on the fringes of society: people who receive social assistance benefits, long-term unemployment or people partially unfit for work; young people without basic qualifications and older workers with little prospect of finding a job."²

In the Netherlands there is an official Poverty Monitor which has appeared periodically since 1997 as a joint publication of the Social and Cultural Planning Office of the Netherlands (SCP) and Statistics Netherlands (CBS).³ This series of publications presents a picture of poverty in the Netherlands based on representative national data.

Definitions of poverty in the Netherlands

In the Poverty Monitor, poverty is determined on the basis of two income thresholds. The first is the low-income threshold, which is calculated on the basis of the level of social assistance benefits for a single person in 1979, a year in which purchasing power was relatively high. For households with more than one person, the low-income threshold is determined by applying equivalence factors based on the actual extra costs of multiple-person households. Since the low-income threshold for the years after 1979 is adjusted for price inflation, it is suitable for comparisons over time.

The second poverty threshold is the social policy threshold, set at 105% of the statutory social policy minimum in accordance with the norms which apply in the Work and Social Assistance Act, the General Child Benefit Act and – for people over 65 – the General Old Age Pensions Act. This is a politically determined threshold which is of importance mainly for determining the size of the target groups for government policy. The social policy threshold



is less suitable for comparisons over time, because the norms applied in social assistance benefits and state retirement pensions are not always adjusted precisely for inflation. The difference between the low-income threshold and the social policy minimum has become so small in recent years that the social policy threshold (105% of the social policy minimum) now lies above the low-income threshold for specific groups of households.

In addition to these two thresholds, a number of supplementary indicators for poverty are also used, including the length of time spent below the income threshold applied, possessions and debts, fixed costs, and people's own assessment of their financial situation.

Rising percentage of low-income households

After falling for many years, the percentage of households with a low income rose again in 2003. The poverty rate in the Netherlands had reached a low point in 2002, when 8.8% of all households had a low income, but this figure rose to 9.8% in 2003, equivalent to 642,000 households. Moreover, slightly under a third of these had been living below the low-income threshold for four years or longer.

According to estimates, the percentage of low-income households continued to rise in 2004 and 2005, reaching 10.5%. Based on forecasts for purchasing power trends, it is likely that in 2006 the proportion of low incomes will fall back to its 2003 level. However, this does not apply for all groups: the proportion of low incomes among single benefit claimants is expected to increase by almost three percentage points compared with 2003. On the other hand, among single persons aged over 65, the percentage of low incomes

is predicted to fall by over three percentage points. The relative proportion of low incomes among those who are employed (with and without children) and people over 65 who do not live alone will remain virtually unchanged between 2003 and 2006.

The percentage of households with an income below the social policy threshold also increased in 2003, rising to 10.1% compared with 8.8% in 2001. In absolute terms, this represents an increase of almost 90,000 in the number of households with a minimum income. This took the total number of households with a minimum income in 2003 to 657,000, just above the number of low incomes. More than one in three households with an income below the social policy threshold had been in this position for at least four years.

Risk groups

The risk of a low income varies with the type of household. The groups at highest risk include single-parent (usually single-mother) families, households that receive social assistance benefits, and households with a non-Western background. Among those who work, the percentage of low incomes is relatively higher among the self-employed. The proportion of low incomes among non-Western households in particular is increasing. By contrast, the position of pensioners has improved.

Meanwhile, four out of ten households below the low-income threshold reported in 2004 that they found it difficult or very difficult to make ends meet from their income. This proportion has increased since 2001. Similarly, more and more low-income households have an income below what they themselves consider to be minimal; this percentage rose from 24% in 1999 to 41% in 2004.

1 The author works for Oxfam Novib. Oxfam Novib and the National Committee for International Cooperation and Sustainable Development (NCDO) form the Dutch Social Watch coalition.

2 Coalition agreement between the parliamentary parties of the Christian Democratic Alliance, Labour Party and Christian Union, adopted 7 February 2007.

3 The figures presented in this report have been drawn from the latest version of the Poverty Monitor (Dirven *et al.*, 2006).

More debts than possessions

Over a quarter of households with a low income had negative assets in 2002; in other words, their debts exceeded their possessions. Another third had assets of no more than EUR 2,500 (USD 3,445), while just under a quarter of low-income households had assets of EUR 10,000 or more. The proportion of households with negative assets increased between 2000 and 2002. The biggest shift was between households with assets of up to EUR 2,500 and households with negative assets.

There are numerous visible signs of this growing indebtedness: increases in debt collection orders and requests for debt assistance and rescheduling; more rent arrears and evictions; and a rise in the level of assistance provided by churches and the new 'food banks' (places where poor people can obtain free groceries). However, other factors also play a role: a less lenient debt collection policy, greater familiarity with debt assistance organizations and debt restructuring options, a stricter rent and eviction policy by housing associations, and so on.

Growing poverty among 'non-Western' households

The income position of households with a non-Western background is clearly worse than that of native households. Among the major groups, the situation of Moroccans is the worst: in 2003 one third of these households had a low income, while Turkish (29%), Antillean (28%) and Surinamese (23%) households were in only a slightly better position. The income position of the 'new' immigrant groups is generally even worse: more than half of Somali, Afghan and Iraqi households had a low income in 2003, while this was the case for more than a third of Iranian and Chinese households. The deteriorating labour market situation led to a resumption of the upward trend in poverty among non-Western households from 2002 onwards, with benefit claimants and older persons being particularly susceptible.

Non-Western immigrants who have recently arrived in the Netherlands quite often begin with a low income, though their starting position has improved considerably, largely because of the decreasing proportion of asylum-seeking immigrants and family reunification immigrants. The income position of new immigrants improves with the length of their period of residence: more than half the non-Western immigrants who came to the Netherlands in 1997 and were on a low income in their first post-settlement year managed to pass the low-income threshold by 2002. This outflow from poverty was due largely to an improvement in their labour market position.

Favourable trend among the elderly

On average, the poverty rate among people over 55 is not notably higher or lower than among younger people. On the one hand, the percentage of low-income households among over-55s has fallen to below that of the younger age groups, and older persons with a low income also have relatively few debts. On the other hand, a low income often persists longer for older persons. There are considerable differences

within the older age group, however. Low incomes are more common among people between 55 and 64 years old than among over-65s. They are also more prevalent among single persons than couples, and among (single) women than (single) men. Overall, older people are in no worse a position in terms of social exclusion than younger generations, although the degree of exclusion generally reduces with age but then increases slightly from the age of 75. On average, households with a low income are more likely to suffer social exclusion.

Limited effect of the poverty trap

The Poverty Monitor reports that in 2003 just under a quarter of a million households were considered to be in a 'poverty trap' situation. By definition, poverty-trap households are households with an income below the low-income threshold which are dependent on social security benefits due to unemployment or an incapacity to work. Single persons must also be in receipt of a housing benefit in order to fall into the poverty trap category. Almost 45% of households in the poverty trap are one-person households, and almost 25% are single-parent families. Couples with and without children are both in a clear minority, with each making up an eighth of the total.

At first sight it would seem that the poverty trap influences the job-seeking behaviour of benefit claimants: people in receipt of an income-related benefit have less frequently found a job, or increased the number of hours worked, than people who do not receive benefits. However, if allowance is made for other factors that can explain job-seeking behaviour or changes in labour market status, the role of income-dependent benefits almost disappears. Characteristics such as age, sex, education, health and source of income are better predictors of behaviour and force the role of income-dependent benefits to the background.

Poverty determined mainly by household-specific characteristics

Studies have been undertaken to determine the proportion of the risk of poverty that can be attributed to individual household characteristics and how much can be attributed to the neighbourhood and municipality in which that household is located. The influence of the economic cycle on the risk of poverty was also included. It was concluded that more than 90% of the difference in the risk of poverty can be explained by variations in household characteristics. The key predictors of the risk of poverty were found to be the age, sex, education and socioeconomic activity of the head of the household, as well as the household composition.

As for the remaining 10% of the difference, half can be attributed to differences between the neighbourhoods where the households surveyed live, while the other half can be explained by differences between municipalities. Poor households are frequently concentrated in particular neighbourhoods or municipalities; the lower the socioeconomic status of a neighbourhood, the greater the probability that a household in that neighbourhood will experience poverty. Finally, and not surprisingly, the risk of

poverty was found to rise significantly in periods of high unemployment.

Social cohesion as an answer to poverty

Social cohesion is one of the six pillars of the new government policy. As the coalition government stated in an agreement signed shortly before it took power, "The motto must not be 'everyone for himself', but 'look out for each other' and 'treat each other decently.'" The same agreement stresses: "A person's low productivity potential, distance from the labour market and personal work history can stand in the way of finding a job. The poverty trap keeps some people dependent on benefits. The policy of the government is to give everyone fair job opportunities. This is a task that the government and the social partners have to tackle together."

In a recent policy statement issued 14 June 2007, the government made arrangements to offer people who are difficult to employ access to the labour market or enable them to be of use to society in another way. Particular emphasis will be placed on implementation of legislation such as the Work and Social Assistance Act (WWVB) and the Sheltered Employment Act. In the context of the intended shift from job and benefit security to work and income security, the issues that will need to be examined are labour market policy, education and training (employability), and unemployment benefits.

'Money on the shelf'

Another specific target that will be emphasized is the non-take-up of social security. Increasing the take-up of income provisions has been one of the priorities of government policy to combat poverty in the Netherlands for over a decade. These efforts stem from concerns about households potentially facing financial difficulties if they do not claim the benefits to which they are entitled. Despite these efforts, however, non-take-up of provisions remains a relatively frequent phenomenon.

In a recent study (Hoff and Schut, 2007), the public's knowledge of social security provisions was found to be low. The proportion of non-applicants who have never heard of available income assistance programmes ranges from 14% (housing benefit) to 48% for benefits under the Fees and Educational Expenses (Allowances) Act. When it comes to the long-term minimum-income allowance, the figure reaches 86%. Moreover, even when people are aware of the existence of a particular provision, in many cases their knowledge is 'sketchy'. A high proportion of both non-applicants and applicants (42% to 85% and 23% to 45%, respectively) report that they barely know anything about the provision.

In the same study, non-applicants were asked whether they thought they would be eligible for a particular provision. Depending on the provision in question, it was found that between 33% (exemption from local taxes) to 69% (Allowances Act) felt certain that they would not be entitled (Hoff and Schut, 2007). This factor undoubtedly plays a role in non-take-up.

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Morocco has no overall system for combating unemployment, and an analysis of the employment measures in place shows they are highly unsatisfactory. Since 1993, only 29,000 people have participated in work experience programmes, and the so-called 'action-employment' scheme has performed no better. Only 66,000 young professionals entered the labour market during this period (Ministry of Employment, 2006).

In the new labour code some changes were made to labour regulations (the minimum period to approve the closure of a factory, the setting of indemnity rates, etc.) but in real terms the prevailing legislation in this field is frail because many categories of employees are not covered and most enterprises ignore the law when drawing up temporary contracts, granting vacation time, or when a factory partially or completely closes down. To make matters worse, the official bodies in charge of enforcing current legislation do not have the means to do their job effectively.

In the informal sector, which accounts for 20.3% of jobs in the country, there is even less protection. Some 12.4% of the production units in the informal economy are run by women, and only 2% of workers in this sector are contracted employees. Nearly half the production units (46.8%) ignore labour regulations, and 61% pay wages that are below the official minimum salary (Department of Economic Security and Planning, 2003).

Challenges and the future of social protection

The country's largest social protection scheme depends on the National Social Security Fund. Many enterprises have managed to stay outside the system and are unregistered. More than 67% of members are micro-enterprises with five or less employees, and only 38% of registered businesses work for 12 months of the year. Social security contributions from private sector enterprises in the National Fund regime amount to only 1.6% of the wealth produced in the country (Centre Marocain de Conjoncture, 2003). It is difficult for the system to make headway in rural areas and among self-employed workers. The Fund is hindered in its operations because benefits are paltry and wages are low, and quite apart from that it does not have an image of efficiency. Therefore it is important to improve the governance of the system, not only as regards democratic processes in the political sphere but also in the institutions that make up the social security system, since this is where many of the day-to-day decisions are made.

The question of social protection goes beyond the role of the state and public institutions; it involves all the components of society. The 'social question' should be taken into account by all the actors involved, and the necessary conditions for excluded sectors of the population to be reinserted should be created. Civil society must intervene more actively, and indeed it is clear that a new generation of

non-governmental actors are emerging in Morocco. Relations between civil society organizations and the state are evolving and mutual distrust is now giving way to the recognition that some kind of synergy is possible. However, there are still obstacles to be overcome before civil society can be fully involved in strategic alliances for development. What is needed is a political and legal framework that is more favourable to increased autonomy for NGOs, and greater participation on the part of these organizations in the process of designing, implementing and evaluating decisions that can have an effect on the most disadvantaged sectors of the population. ■

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- The basic necessities of food, clothing, shelter, education, security and health services need to be delivered urgently with a long-term focus on sustainable livelihoods. ■

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Other significant factors include the subjectively perceived need for a provision and the anticipated transaction costs. A certain degree of non-take-up appears to be inherent in provisions: people decide not to submit a claim because the process is too complex, especially where the amount they stand to receive is small and they feel that they can manage financially without the benefit. As long as entitlements to a given grant or benefit continue to be dependent on the claimant's income and assets, and the initiative for take-up of provisions is left with the client, non-take-up appears to some extent to be inevitable. Transferring a minimum amount to identified clients' accounts could reduce non-take-up (Hoff and Schut, 2007). At the same time, greater emphasis obviously needs to be placed on informing people of their rights. ■

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