Recent Developments in Social Security
in the Netherlands
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Introduction

During the decades between 1945 and 1975 social security schemes in the Netherlands were implemented and improved. This led to the fact that the social security schemes in the Netherlands are known to be very good in the whole western world. The last major improvement was implemented in 1976 (General Disability Act).

Because of the improvements in the schemes and the implementation of new schemes the costs of the social security increased from 9.2% of the net national income in the year 1962 up to 26.9% in the year 1982.

In the period 1975-1980 the government realised – partly because of the economic situation and partly because of the fact the average age of the population will increase a lot during the decades to come – that the costs of the social security schemes would become too high. The government decided that the social security system was to be reconsidered. This led to changes in almost all social security schemes between 1982 and today. The final decisions on the last proposed changes are still in discussion with the parliament.

In this report I will describe the major changes in the social security schemes during the last years.

The costs of the social security schemes have developed as follows during the last twenty-five years (amounts in Dfl. 1,000,000).

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Sickness</th>
<th>Disability</th>
<th>Medical care</th>
<th>Unemployment</th>
<th>Old Age</th>
<th>Widow’s, orphan’s</th>
<th>Children allowance</th>
<th>Total</th>
<th>Net national income</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>472</td>
<td>185</td>
<td>972</td>
<td>139</td>
<td>1,393</td>
<td>233</td>
<td>637</td>
<td>4,031</td>
<td>43,972</td>
<td>9.2</td>
</tr>
<tr>
<td>1972</td>
<td>2,804</td>
<td>2,904</td>
<td>6,702</td>
<td>857</td>
<td>7,021</td>
<td>975</td>
<td>2,895</td>
<td>24,156</td>
<td>134,320</td>
<td>18.0</td>
</tr>
<tr>
<td>1982</td>
<td>6,392</td>
<td>15,885</td>
<td>22,600</td>
<td>12,324</td>
<td>21,446</td>
<td>2,592</td>
<td>7,270</td>
<td>88,509</td>
<td>329,430</td>
<td>26.9</td>
</tr>
<tr>
<td>1983</td>
<td>6,253</td>
<td>16,173</td>
<td>23,018</td>
<td>15,152</td>
<td>21,696</td>
<td>2,616</td>
<td>7,368</td>
<td>92,276</td>
<td>336,290</td>
<td>27.3</td>
</tr>
<tr>
<td>1984</td>
<td>6,285</td>
<td>16,726</td>
<td>23,212</td>
<td>15,204</td>
<td>21,753</td>
<td>2,611</td>
<td>7,430</td>
<td>93,221</td>
<td>352,790</td>
<td>26.4</td>
</tr>
<tr>
<td>1985</td>
<td>6,420</td>
<td>16,360</td>
<td>23,730</td>
<td>14,170</td>
<td>22,760</td>
<td>2,630</td>
<td>7,530</td>
<td>93,800</td>
<td>389,000</td>
<td>25.4</td>
</tr>
</tbody>
</table>

(source: Central Bureau of Statistics)

Sickness

The Sickness Benefits Act insures employed persons under the age of 65 against loss of wages as a result of sickness, accidents and infirmity. The insurance gives entitlement to benefits for no longer than 52 weeks. The legal benefit was 80% of the daily wage. No benefits are paid on the uninsured wage (in excess of Dfl. 262.28 per day or Dfl. 68,455.00 per annum) or over the first two days of absence from work.

In a number of branches of industry the professional associations have fixed the benefits at a higher percentage and have arranged for the benefits to be paid immediately or after one day.

In 1981 the government proposed to decrease the benefits to 70% of the daily wage. This led to a tremendous commotion at that moment and the proposal was withdrawn. In 1985 the government again proposed to decrease the benefits to 70% of the daily wage. At that moment other changes in social security had already been accepted and the parliament agreed to this decrease.

Disability

The number of disabled persons during the last ten years has developed as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF DISABLED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>348,800</td>
</tr>
<tr>
<td>1980</td>
<td>660,300</td>
</tr>
<tr>
<td>1982</td>
<td>710,900</td>
</tr>
<tr>
<td>1983</td>
<td>730,900</td>
</tr>
<tr>
<td>1984</td>
<td>750,500</td>
</tr>
<tr>
<td>1985</td>
<td>761,000</td>
</tr>
</tbody>
</table>

For disability benefits there are two acts, namely the General Disability Act and the Disability Insurance Act.

The General Disability Act (introduced in 1976) provides for benefits to be paid to residents of the Netherlands aged 18 and over who, after having been unable to work for 52 weeks, are still incapable of working and who obtained income in the year before disability. The amounts are dependent on the degree of disability and the family situation up to a maximum benefit of Dfl. 23,811.00—a year.

Unemployment

The Disability Insurance Act (introduced in 1967) insures employed persons under the age of 65 against loss of wages as a result of incapacity to work for more than 80% of the daily wage. A lower provision is paid if the person is incapable for work between 15% and 80%. No benefits are paid on the uninsured wage (in excess of Dfl. 262.28 per day or Dfl. 68,455.00 per annum).

The provision of 80% of the daily wage was used from 1967 till 1984. During 1984 the percentage was decreased to 75%. At January 1, 1985 this percentage was decreased to 70%.

Up to now (April 1986) a person who is partly disabled and cannot get a job, will receive a full benefit. At this moment the government and parliament are discussing the fact that such a person should have a lower disability benefit and for the ceasing part an unemployment provision.
**Medical care**

In the medical care field there are two schemes, namely the Exceptional Medical Expenses Act and the Health Insurance Act. The Exceptional Medical Expenses Act makes provisions for residents in the Netherlands for treatment and nursing in special recognized institutions.

The Health Insurance Act insures employed persons (and their family) who earn a fixed agreed wage of less than Dfl. 48,500. The provisions are medical, pharmaceutical and dental care, hospital nursing and numerous other forms of treatment and provisions.

Up to April 1, 1986 self-employed persons and their family had to buy medical insurance or pay a fine. From April 1, 1986 the government has introduced a scheme for medical expenses for self-employed persons. The premiums for these groups were relatively low.

From April 1, 1986 self-employed persons cannot ask for this insurance any more. Retirees are compulsorily insured as of this date if they were insured before April 1, 1986 with an income of less than Dfl. 24,092. per annum or, for new retirees, if they were insured before they became a retiree.

Thus about 1,000,000 persons are not insured for this act any more. Persons who are not insured under this Act, can insure themselves at a number of private insurance institutions.

**Unemployment**

The number of unemployed during the last ten years has developed as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF UNEMPLOYED</th>
<th>% OF WORKFORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>195,300</td>
<td>4.0</td>
</tr>
<tr>
<td>1980</td>
<td>248,000</td>
<td>4.9</td>
</tr>
<tr>
<td>1982</td>
<td>541,700</td>
<td>9.7</td>
</tr>
<tr>
<td>1983</td>
<td>806,600</td>
<td>13.7</td>
</tr>
<tr>
<td>1984</td>
<td>822,400</td>
<td>14.0</td>
</tr>
<tr>
<td>1985</td>
<td>752,000</td>
<td>12.6</td>
</tr>
</tbody>
</table>

During the first part of 1986 the number of unemployed decreased a little to 725,000 in April 1986.

There are a few social security schemes relating to unemployment benefits. The provisions of the schemes in force during 1980 are as follows. The first two schemes are relating to involuntary unemployment and to be entitled to a benefit a person must in general have worked more than 130 days in the year before the first day of unemployment. The Unemployment Act provides a benefit equal to 80% of the last wage for 130 days. After that the Act for Unemployment Provisions provides a benefit of 75% of the last wage for two years; if a person is 60 years or older after these two years, the benefits are payable up to age 65. If a person is unemployed and the two former acts do not provide a benefit, there can be a benefit of the National Welfare Unemployment Scheme. This scheme provides a benefit on the subsistence minimum; for couples (both unemployed) the benefits equal the net legal minimum wage for employed persons.

As of January 1, 1985 the Unemployment Act provision was decreased to 70% of the last wage. Besides the provision from the Act for Unemployment Provisions was also decreased to 70% of the last wage; furthermore in this last act the period of providing a benefit was changed. For younger persons (beneath age 23) the period was shortened to 6 months, for older persons the period was lengthened to 2½ years. Besides a new provision was introduced for persons, who became unemployed at or after age 50 and who are not entitled to another benefit; the benefit for couples – both unemployed – is equal to the legal minimum wage and is provided up to age 65.

At this moment the government and parliament are discussing new changes in the unemployment schemes. The government has proposed a New Unemployment Act. The Act provides an unemployment benefit depending on age of the person and the number of years someone has worked. For older unemployed with sufficient years of service a benefit of 70% up to age 65 is provided. For younger unemployed and/or unemployed with less years of service a lower benefit for a shorter period of time is provided.

**Old age**

The General Old Age Act was implemented in 1957 and from that time up to 1985 this act provided an old age pension as soon as the age of 65 has been reached. There were always three levels of pensions:

| Married man  | Dfl. 20,208. – per annum (level 1986) |
| Married woman| Dfl. 0. – per annum                   |
| Single       | Dfl. 14,163. – per annum              |

The amount for a married couple is on a net basis equal to the net legal minimum wage for adults. The amount for singles is on a net basis equal to 70% of the amount of a married couple.

Mainly because of a European Common Market directive the Dutch government had to change the act thus that there would be no distinction between male and female anymore as of January 1, 1985.

After a lot of discussion in 1984 and 1985 the law was changed retroactive to January 1, 1985. As of that date there are three different levels of pensions:

| Married person | Dfl. 10,104. – per annum (level 1986) |
| Single         | Dfl. 14,163. – per annum               |
| Supplement     | Dfl. 0. – up to Dfl. 10,104. – per annum |

The pension for a married person shall be paid to every married person above age 65. Thus for a couple both older than 65 nothing changes. The scheme also remained the same for singles. The changes occur for a couple where one is older than age 65 and one is younger than age 65. It has been decided that if the older partner was born before April 1, 1923 a full supplement will be paid as long as the younger partner has not reached the age of 65. Furthermore it has been decided that if the older partner was born on or after April 1, 1923 and the younger partner was born before April 1, 1928 the full supplement shall be paid. Furthermore it has been decided that if the older partner was born on or after April 1, 1928 and the younger partner was born on or after April 1, 1928 the supplement shall be dependent on the income of the younger partner. In general the supplement is nil if the younger partner has a fulltime job or a full social security benefit. On the other hand the full supplement shall be paid if the younger partner has no income. In other circumstances different regulations have been made and only a part of the supplement shall be paid.

In summer 1985 the government decided that as of January 1, 1986 single persons who are living
together just as married couples should be treated in
the same way and be entitled to the same provisions
as a married couple. In the beginning of 1986
government and parliament agreed to postpone the
discussion on this item up to 1988. The discussion
was mainly postponed because the first income test
will take place in 1988 and because parties couldn't
reach an agreement on this item.

Widow’s, orphan’s, children
allowance

In the General Widow’s and Orphan’s Act no
major changes have been made during the last years.
This looks strange relating to the equal treatment
directive of the European Common Market, but the
E.C.-directive was not applicable to the widow’s
pensions in the social security system.

In the General Children Allowance Act two
important changes have been made. First in 1983 the
flat rate allowance for children was changed to an
allowance depending on the age of the child. Thus
the allowance for younger children (up to 6 years
old) will be decreased to 70% of the flat rate amount
and the allowance for older children (12-17 years
old) will be increased to 130% of the flat rate amount.

The second change will be implemented in
October 1, 1986. Up to that date children, between
18 and 26, who are studying, are entitled to a benefit.
As of that date a new act for students allowance shall
be introduced and because of this the General
Children Allowance Act will not provide benefits
anymore for children age 18 and older.

Final remarks

In this report I have described recent
developments in the Social Security Systems in the
Netherlands during the last years. As you could have
seen almost all provisions have been changed on a
number of major items.

In the Netherlands the government expects that
during 1986 the last changes will become effective
and that then the schemes will be sufficient and
acceptable again for a number of years.