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THE NETHERLANDS IN MAPS

ECONOMIC DECLINE AND SOCIAL SECURITY BENEFITS IN THE NETHERLANDS

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THE DUTCH ECONOMY

From the moment it was established, in 2005, The Netherlands has ranked number 1 on the annual DHL Global Connectedness Index, indicating the highest level of integration into the world economy (DHL 2013). This integration makes the Dutch economy sensitive to developments elsewhere in the world. For example, in 2005, the income per capita increased by 4 to 6 per cent due to the additional trade that resulted from the open internal market in the European Union (Schoor 2013). However, in the last five years, with the exception of mid-2009 until early 2011, the GDP volume has decreased in almost each quarter (CBS 2013). This negative economic growth is strongly related to the US-based credit crisis (2008/2009) and the European sovereign debt crisis (since 2010).

Starting in 2008, a number of economic and social indicators in and for the Netherlands have shown negative values. This year's series of *The Netherlands in Maps* presents a number of these indicators with the goal of discovering if, and to what degree, the economic recession hits certain regions more than it does others.

SOCIAL SECURITY

In this issue, we focus on social security benefits. By the end of 2011, almost 1.5 million people or 9 per cent of the Dutch population were entitled to a social or welfare benefit:

- roughly half of these received a disability benefit;
- 450,000 people received a social security benefit; and
- 275,000 people received an unemployment benefit (CBS 2013).

People that lose their job partially or entirely are first entitled to an unemployment benefit. This benefit is paid according to the number of years someone has worked; the maximum is 38 months (Pellenbarg & Van Steen 2012). After that, unemployed persons fall back on social security, in Dutch called the *Wet werk en bijstand* (WWB, 'Work and social security act'). In the data used to compile the two maps in this issue, the numbers of social security beneficiaries include the number of persons entitled to a WWB benefit (which covers 90% of all social security benefits), as well as a number of associated benefits for specific groups (the so-called IOAW, IOAZ, WWIK and Bbz regulations, which we will not further discuss here).

Unlike unemployment benefit, the social security benefit takes into account the income of other household members. Consequently, unemployed persons with a partner with a job or other source of income will not be entitled to social security benefit once they are no longer entitled to unemployment benefit. Whereas the level of the unemployment benefit is related to the last earned income, the social security benefit will never be more than the difference between the real level of income

and the so-called 'social minimum', which is related to the minimum wage level (Overheid 2013).

The economic recession is clearly reflected in the recent rapid increase in the number of Dutch people receiving a social security benefit. In the period 1999 to 2008, this number declined steadily, largely as a result of the positive economic development (Edzes 2010). However, between late 2007 and late 2011, the number of recipients increased with almost 20 per cent, accompanied by a growth of the number of people entitled to an unemployment benefit with 44 per cent (CBS 2013). The latter figure points at a sharp increase in unemployment; in the late summer of 2013, close to 9 per cent of the work force was jobless (CBS 2013). Many of the beneficiaries of unemployment benefits will, in the next few years, fall back on social security benefits – unless they are able to find a new job. Because the unemployment benefit system acts as a temporary buffer, the increase in the number of people entitled to social security lags behind the economic decline.

REGIONAL VARIATIONS

By the end of 2011, 5.7 per cent of the labour force received a social security benefit. As the smaller map in this issue illustrates, this figure ranges from values of less than 4 per cent in the provinces of Zeeland, Noord-Brabant and Utrecht, up to over 7 per cent in the province of Groningen. The map of the regional variations in unemployment benefits (cf. Pellenburg & Van Steen 2012) shows an almost identical pattern.

The larger map visualises the absolute number of persons on social security. All 418 municipalities include residents entitled to social security benefits, but we have not visualised municipalities with less than 100 persons receiving WWB and related social security payments. The revealing pattern shows that, unlike the smaller map with relative figures would suggest, the bulk of the social security beneficiaries are to be found in the more densely populated Western and central part of the country. At first sight, the map seems to reflect the distribution and size of cities. However, the distribution of social security ben-

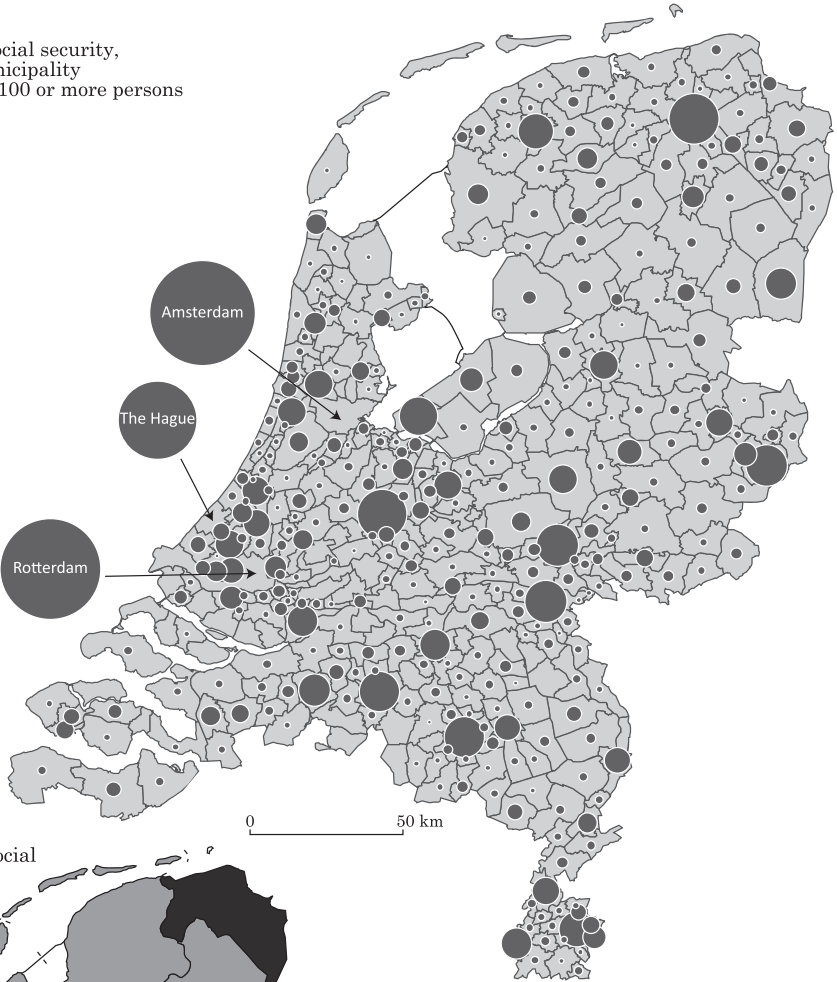
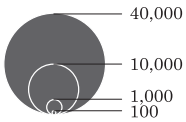
eficiaries is far from perfectly in line with the population distribution. The three largest cities of Amsterdam, Rotterdam and The Hague, for example, have an impressive number of beneficiaries of social security payments. Together, they are responsible for close to 120,000 or approximately 25 per cent of all social security payments, whereas their combined population number is only 11 per cent of the Dutch population (CBS 2013). Although from a relative point of view, the province of Groningen could be identified as the most 'problematic' region with the highest percentage of social security beneficiaries in the labor force, the absolute numbers visualised in the larger map show that the total number of social security recipients in the economic core region of South Holland is much higher. The data for late 2011 confirm this: 20,000 people on social security in the province of Groningen, against 107,000 in South-Holland (CBS 2013).

LOCAL POLICIES?

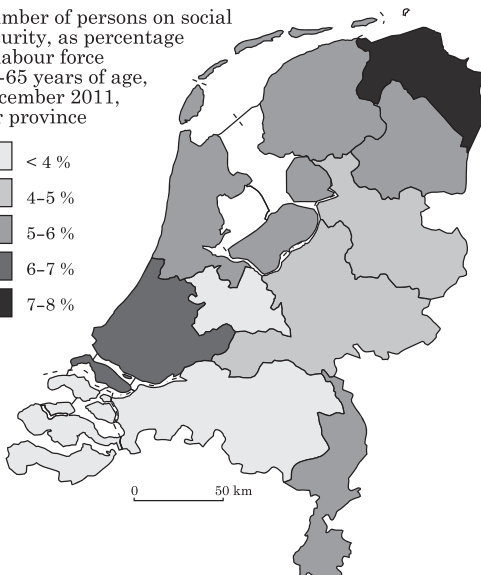
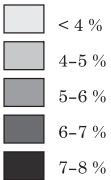
The present Dutch social security policies (WWB) were introduced in 2004, together with a full decentralisation of (financial) responsibility from central government to municipalities (Broersma *et al.* 2013). Local governments now receive a fixed budget to cover all social security payments. This contributes to improved efficiency in the social security system, as local governments that once demonstrated more generous attitudes in their social security payments to residents can no longer pass these costs on to the national government. The new WWB system is seen to create incentives for local policies aimed at reducing the number of social security beneficiaries. However, the differences between municipalities in terms of the number of persons on social security are strongly related to differences in population numbers, in demographic composition, the welfare level of municipalities and the political signature of local governments (Edzes 2010). Local policies can only make a small difference. For example, municipalities with relatively high levels of expenditure per capita for economic development are characterised by somewhat lower levels of social security beneficiaries (Edzes 2010). Broersma *et al.* (2013) conclude that the overall efficiency

THE NETHERLANDS IN MAPS
 Spatial impacts of economic stagnation (Part 1)
Social security beneficiaries

Number of persons on social security, December 2011, per municipality (for municipalities with 100 or more persons on social security).



Number of persons on social security, as percentage of labour force 15-65 years of age, December 2011, per province



Source: CBS (2013).

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in delivering social security benefits in the Netherlands is already very high, and that there is almost no room for further efficiency improvements at the local level.

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