

The Poor Side of the Netherlands

Results from the Dutch 'Poverty Monitor',
1997-2003

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Social en Cultural
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As referred to in Article 9 of Royal Decree no. 175 of 30 March 1973.

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Contents

Preface	I	
1	<i>Introduction</i>	3
	Notes	8
2	<i>Indicators of poverty</i>	9
2.1	What is poverty?	9
2.2	Income thresholds	10
2.3	The implications of the social policy minimum and the low-income threshold	13
2.4	A consumption-based poverty threshold	14
2.5	A few problems with measuring poverty	15
3	<i>Poverty – the main features</i>	17
3.1	Introduction	17
3.2	Development of poverty rates	17
3.3	Estimates 2002-2004	20
3.4	Risk groups	22
3.5	Additional dimensions of poverty	24
3.6	Health and housing situation of those on low incomes	30
3.7	Geographical distribution of poverty	32
	Notes	39
4	<i>Social exclusion</i>	41
4.1	Introduction	41
4.2	International policy indicators for social exclusion	41
4.2.1	Policy background	41
4.2.2	International indicators	43
4.2.3	The position of the Netherlands in the European Union	44
4.3	Social exclusion: a detailed look at the Netherlands	56
4.3.1	Development of the concept of social exclusion	56
4.3.2	Distinguishing between ‘social exclusion’ and ‘poverty’	57
4.3.3	Social exclusion in terms of risk factors	58
4.3.4	Common elements in the definition of social exclusion	59
4.3.5	A model for social exclusion	60
4.3.6	Collection of new data	62
4.3.7	Initial findings	63
4.4	Conclusions	74
	Notes	75

5	<i>Non-western ethnic minorities and poverty</i>	77
5.1	Introduction	77
5.2	Divergent income distribution	78
5.3	Poverty among non-western ethnic minorities	80
5.4	Developments in poverty among minorities	84
5.5	Poverty, contacts, cultural orientations and perception of acceptance	85
5.6	Conclusions	90
	Notes	92
6	<i>The feminisation of poverty – women as a risk group</i>	93
6.1	Introduction	93
6.2	Does feminisation of poverty exist in the Netherlands?	94
6.2.1	The influence of social trends	97
6.3	The poverty risk of women	102
6.3.1	The poverty risk of specific groups of female households	105
6.4	Conclusions	108
	Notes	110
7	<i>The dynamics of poverty</i>	111
7.1	Introduction	111
7.2	Extent of the poverty inflow and outflow	111
7.3	Background to the outflow from poverty	114
7.4	Poverty recidivism	117
7.5	Income mobility of successive generations	120
7.6	Conclusions	124
	Notes	125
8	<i>Work and poverty</i>	127
8.1	Introduction	127
8.2	Labour participation and poverty	128
8.2.1	Analysis of the trend in poverty	129
8.2.2	Trend in poverty among active households	132
8.2.3	Trend in poverty among inactive households	134
8.3	Does work pay?	136
8.3.1	What income gains does working provide?	137
8.3.2	Who escapes poverty via work?	141
8.3.3	What explains the wage earned?	142
8.4	Conclusions	144
	Notes	145

9	<i>Income-dependent provisions, the poverty trap and non-take-up</i>	147
9.1	Introduction	147
9.2	The poverty trap and housing benefit: size and effects on labour participation	149
9.2.1	How many households are confronted with the poverty trap?	149
9.2.2	Does the poverty trap present an obstacle to labour participation?	152
9.3	Non-take-up of housing benefit	158
9.4	Conclusions	163
	Notes	165
	<i>References</i>	167
	<i>List of publications in English</i>	171

Preface

The *Poverty Monitor* has appeared periodically since 1997 as a joint publication of the Social and Cultural Planning Office of the Netherlands (SCP) and Statistics Netherlands (CBS). This series of publications presents a picture of poverty in the Netherlands based on representative national data. In addition to key figures on the extent of and trend in poverty in the Netherlands, each edition of the *Poverty Monitor* focuses on a number of specific topics, such as the geographical distribution of poverty, the poverty risk of members of ethnic minorities, the spending patterns of households with a low income compared with the spending patterns of other households, and social exclusion.

The Dutch presidency of the European Union is a suitable moment to make the most important elements from the *Poverty Monitor* accessible to an international readership. This publication, compiled on the basis of the most interesting contributions from various volumes of the *Poverty Monitor*, serves this function. *The Poor Side of the Netherlands* is aimed at both policymakers and researchers, as well as those with a general interest in the issue of poverty.

The original texts can be found on the SCP website at www.scp.nl. An English-language summary of each edition of the *Poverty Monitor* can also be found on this site.

SCP and CBS have worked together closely on each edition of the *Poverty Monitor*. SCP was represented on the editorial board by J.C. Vrooman, E.J. Pommer and S.J.M. Hoff, while CBS was represented by J.W. Altena, H.-J. Dirven, J.G.J. Thijssen, L. Trimp and G.J.H. Linden. The editorial board for the present report comprised J.C. Vrooman and S.J.M. Hoff (SCP).

A large number of staff from both organisations have contributed on one or more occasions to the *Poverty Monitor* over the years. Where their texts are included in this report, their names are stated in the relevant chapters.

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1 Introduction

Despite their often reasonably well-developed welfare regimes, the member states of the European Union have not succeeded in eradicating the problem of poverty entirely, and this therefore remains a policy topic. The recession in the 1980s provided an initial impulse in pushing this issue to the fore in the social and political debate in many countries. It brought an end to a long post-war period in which social protection had been steadily expanding. Deep spending cuts, aimed both at curbing access to provisions and reducing the scope of benefits, were regarded, as unavoidable in order to put the economy and public finances back on an even keel. These measures shattered the illusions that had been cherished by many policymakers and large sections of the population. Rights that had been taken for granted were no longer inalienable; the collective protection of individuals and households against the risks of old age, illness, unemployment and neediness would in the future be more likely to be curbed than extended. As a corollary, it seemed unavoidable that larger sections of the population would be at greater risk of ending up in relative poverty.

A second impulse came from a sea-change in the dominant views driving national policy. In the continental European welfare states, in particular, the realisation grew that social security should not be focused exclusively on guaranteeing a high level of income protection for all citizens; instead, in many cases their economic position and social integration could perhaps be better served by a policy which maximised their opportunities for finding paid employment. Seen from the perspective of the collective interest, this approach has two advantages: if the policy succeeds, it not only reduces the cost of paying benefits, but also promotes economic growth. This changed policy view worked through into a new approach to tackling social deprivation, with employment increasingly regarded as the best means of combating poverty and social exclusion. The implication of this was that welfare arrangements must not stand in the way of a return to paid employment. This was reflected in growing attention for avoidable benefit dependency, which translated into a stepping up of the activating labour market policy and measures to combat poverty traps through targeted financial incentives.

A third factor has to do with the course taken by the recent European policy debate. In the second half of the 1990s there was a growing awareness that the European Union had to be more than an economic entity alone, and should also be based on a certain consensus regarding the living conditions of the EU population. During the European Summit in Nice in 2000, a number of objectives were formulated for a policy to combat poverty and social exclusion. Member states committed themselves to developing National Action Plans and reporting on the results of their implementation, based among other things on a number of common criteria (the 'Laeken indicators'). This European dimension further increased the attention of policymakers and academics

for poverty and social exclusion; and the enlargement of the EU with ten new, less prosperous member states is likely to ensure that this is an issue which remains very prominently on the table for some years to come.

In a number of respects the Netherlands is an interesting case as regards poverty and social exclusion. Serious attempts have been made in the last ten years to create a policy specifically aimed at poverty, and to create an infrastructure to enable the successes and failures to be monitored. The policy document *De andere kant van Nederland* ('The other side of the Netherlands'), published in 1995, placed the issue of poverty high on the political agenda. As well as analysing the extent and causes of poverty, this document indicated how the government wished to tackle the problem. The policy measures proposed were aimed first and foremost at promoting participation in employment, but also extended to income support, limiting people's fixed costs and helping them to make ends meet, and increasing the take-up of the available provisions (TK 1995/1996). These four key elements of the poverty policy were fleshed out in the ensuing years. For example, 40,000 additional jobs were created in the public sector to promote the integration of the long-term unemployed, while benefit claimants were given an opportunity, without losing their benefit, to participate in social activation projects aimed at increasing their chances of finding work. A preferred instrument in the area of income support was one-off social assistance, incidental benefit to cover unforeseen and necessary expenses. Not only was the range of situations in which such benefits could be awarded extended, but local authorities were also given the power to make these payments to specific groups. A key instrument for limiting fixed costs and helping people make ends meet was the 'remission scheme', whereby households with an income around or below the social assistance level were exempted from paying local levies. Measures to increase the take-up of provisions, finally, focused mainly on schemes such as individual housing benefit and one-off social assistance. These elements - promoting labour participation, supporting incomes, limiting fixed costs and increasing take-up of provisions - still form the basis of the Dutch poverty policy in 2004, although some shifts of emphasis have taken place over time¹.

The same policy document ('The other side of the Netherlands') also announced a proposal to improve the provision of information on poverty in the Netherlands over a period of several years. This led to the publication between 1996 and 2000 of the Annual Report on Poverty and Social Exclusion (*Jaarrapport armoede en sociale uitsluiting*)², the result of the efforts of researchers from several universities, the Social and Cultural Planning Office (SCP) and other research institutes (Engbersen et al. 1996-2000). From 1997 this was supplemented by the *Poverty Monitor (Armoedemonitor)*, an annual publication produced jointly by SCP and Statistics Netherlands (CBS) (SCP/CBS, 1997-2001, 2003; CBS/SCP 2002). The *Poverty Monitor* is mainly statistical in nature and is intended to map out developments in relation to the extent, causes and consequences of poverty using national data³. The two publication series complemented each

other: the emphasis in the *Poverty Monitor* was on representative national information, with only limited policy evaluation, while the Annual Reports also included case studies and qualitative research, as well as evaluation of specific policy measures.

This publication provides a synopsis of contributions to the editions of the *Poverty Monitor* published between 1997 and 2003, with a view to making the main elements available to an international readership. This is not just of interest for those wishing to know more about poverty specifically in the Netherlands; precisely because the issue has been studied in some detail, the Dutch case could also offer inspiration to policy-makers elsewhere. Finally, the project may also be important in a scientific sense. A substantial part of the *Poverty Monitor* was devoted to the development of good indicators for poverty and social exclusion, which would enable these phenomena to be measured in a way that was both statistically sound and meaningful for the policy discourse. The extensive attention given to the dynamics of poverty also provides an example of this scientific commitment.

A range of criteria were applied in selecting the contributions to *The Poor Side of the Netherlands*. The most current articles on themes that recur continuously in the *Poverty Monitor* have been included, such as key figures on the size and profile of the poor population. In addition, every edition of the *Poverty Monitor* deals with a number of specific topics in more depth, such as the risk of intergenerational poverty and the poverty risk of specific sections of the population. These one-off themes have been selected on the basis of their legibility, relevance for an international public and currency. Together the selected chapters present a representative picture of the research carried out for the *Poverty Monitor*.

In most cases the original texts have been included unaltered. In a few cases, however, texts from different volumes of the *Poverty Monitor*, or from different chapters within the same volume, have been combined to form a single chapter in *The Poor Side of the Netherlands*. Where necessary (minor) changes have been made to the original text.

The main source of data on the incomes of Dutch households is the Income Panel Survey (IPO). This survey is based on an administrative sample of approximately 75,000 'core persons', supplemented by members of their households. Most of the data on income were provided by the Dutch Tax and Customs Administration.

Another widely used database in the *Poverty Monitor* is the Regional Income Survey (RIO). This survey gives an outline of the regional profile and distribution of incomes of individuals and households in the Netherlands at neighbourhood, district and municipality level. Here again, the data are based mostly on tax records. The net sample comprises approximately two million households.⁴

A third source of data often used for the *Poverty Monitor* is the Socio-Economic Panel survey (SEP), in which all household members aged 16 and over in around 5,000 households are asked each year about their income, employment situation, ownership of durable goods, housing situation, debts and possessions and perceived wealth.

The most recent data from these three sources relate to the year 2001. Developments since then are mapped out on the basis of estimates and data from a few specific surveys; further information on these is given in the chapters concerned. A detailed description of the data is listed in appendix A to the 2003 edition of the *Poverty Monitor* (SCP/CBS 2003).

This report is made up of three parts. The first section discusses the indicators of poverty (chapter 2) as well as key figures on the size, composition and living conditions of the poor in the Netherlands (chapter 3). This latter chapter shows among other things that the poverty rate fell sharply in the second half of the 1990s, but that it has been rising slightly again since 2002.

The first part of the report also devotes extensive attention to social exclusion, a theme that is closely related to poverty. Chapter 4 presents a number of findings concerning the common policy indicators for social exclusion as adopted by the 15 member states of the European Union. The Netherlands is among the member states with the lowest relative poverty rates, least income inequality and lowest long-term unemployment rates. However its position is somewhat less favourable in terms of the education level and life expectancy of the population. Chapter 4 continues with a more detailed discussion of the concept of 'social exclusion' for the Dutch situation and a presentation of the first results of a study of the characteristics of and risk factors for social exclusion.

The second section homes in on two specific groups within the Dutch population: non-western ethnic minorities (chapter 5) and women (chapter 6). It becomes clear that these two groups not only relatively frequently live in poverty, but also that they form a disproportionately large percentage of poor households.

The third section of *The Poor Side of the Netherlands* discusses the dynamic aspects of poverty, as well as a number of policy issues. Chapter 7 looks at poverty inflow and outflow rates, and at the poverty risk of households in which at least one of the partners originates from a poor family. One thing that emerges from this is the high turnover in the poor population: both the inflow and outflow amount to around 600,000 persons each year. In both cases changes in labour market position and changes in the composition of the household are key contributory factors.

Chapter 8 addresses the issue of how important participation in employment is as a means of escaping poverty, while chapter 9 focuses on the effects of income-dependent provisions such as housing benefit and discretionary benefits. This chapter also

discusses the poverty trap – the situation where accepting work has little or no effect in improving a person’s income position.

The picture that emerges from these chapters is that finding paid work by no means always results in a lasting escape from poverty. This can be explained mainly by the fact that half of those who find work end up unemployed again within a relatively short period. Income-dependent government provisions also have a role to play here: almost 270,000 households are in a situation where accepting work could lead to loss of all or part of their entitlements to these provisions, and thus to a reduction in the improvement in household income.

Notes

- 1 The present Dutch government led by Prime Minister Balkenende, for example, wishes to convert a number of the additional subsidised jobs created in past years into mainstream jobs. A special subsidy has been created for this which provides a temporary cushion for the higher wage costs this will bring for employers. In addition, increasing priority is being given in the social security system to active integration. The Work and Welfare Act, which replaced the National Assistance Act in 2004, is important in this respect. Under the new Act, local authorities are given complete financial responsibility for the provision of social assistance benefit, giving them a strong interest in getting their clients back to work as fast as possible. A third example of changed policy in the area of combating poverty relates to the discretionary benefits which in certain circumstances may be paid to minimum-income households (e.g. for the replacement of household appliances). Where in the mid-1990s local authorities were able to award these payments to specific groups (e.g. end-of-year payments for people on long-term minimum income), in principle these payments may now only be made on an individual basis.
- 2 Each of these annual reports had a central theme. While the first Yearbook was descriptive in character and aimed at charting the extent of the poverty problem, the ensuing three editions looked in more depth at specific topics, namely vulnerable groups, the consequences of poverty for individuals and society, and the relationship between poverty and the welfare state. The fifth annual report concluded the series with a critical reflection on the effects of the policy on poverty. The annual reports also contained qualitative material, partly written from an urban sociology perspective, in which the survival strategies used by poor people were observed.
- 3 Following the appearance of the fifth edition in 2001, it was decided to reduce the frequency of publication to once every two years and to present the key data on poverty in the intervening years in a more concise Poverty Bulletin (*Armoedebericht*).
- 4 In municipalities with 5,000 inhabitants or more, 32% of all persons aged 15 or over are selected as 'core persons'. In municipalities with fewer than 5,000 inhabitants, 16% of all persons in this age category are selected. The resultant 'sample of core persons' is then supplemented with their fellow household members.

2 Indicators of poverty*

This chapter looks first at the definition of poverty, then goes on to discuss ways in which the poverty rate can be determined and the specific characteristics of the various measures of poverty. The development of a poverty threshold based on consumption is also discussed, along with a number of general problems associated with measuring poverty.

2.1 What is poverty?

Poverty is inevitably a highly charged concept. Given that, under the Dutch Constitution, securing the living conditions of the population is an object of concern for the government, acknowledging poverty quickly implies a need to do something about it. This has also been reflected in government policy since 1995.

However, the way in which poverty is defined is of crucial importance for statements about its frequency or about ways of combating it. It is fairly easy to play down the existence of poverty in a society such as the Netherlands by citing the extreme forms of indigence which occurred around 1900, or by making comparisons with the large group of Third World countries where a considerable proportion of the population does not even enjoy the very minimal income taken by the World Bank to represent the poverty line. It is however debatable whether such a comparison would do justice to the situational nature of poverty.

In an abstract sense, poverty can be defined as an ‘enforced lack of socially perceived necessities’ (cf. Saunders, 1998). This definition makes three things clear:

- Poverty involves a deficit, i.e. it means that some people do not manage to meet a certain absolute minimum in the satisfaction of their basic needs. Poverty therefore cannot simply be equated with relative inequality between those at the bottom of the income distribution and those at the top.
- The deficit is not the result of a voluntary choice or preference: those who are poor would gladly see their needs provided for.
- The needs that people would like to satisfy are socially defined. Needs differ according to time and place, due to product innovation, changes in what is ‘generally accepted’ or changes in what is considered necessary to be a fully fledged member of society.

* This chapter is based on texts from the *Poverty Monitors* from the years 1999, 2000, 2001 and 2003. The main contributors from SCP are E.J. Pommer and J.C. Vrooman. The main contributors from CBS are A.A.M.W. van Gessel, G.J.H. Linden, H. Lautenbach and J.G.J. Thijssen (in alphabetical order).

It follows from this that, ideally, poverty should be measured by the size of the group of people whose income is involuntarily below the minimum required for the satisfaction of 'accepted' basic needs. In the *Poverty Monitor* it is assumed that the extent to which households are able to meet their basic needs depends on their disposable income, and poverty is therefore measured by the number of households whose income lies below a certain level. A few of these income thresholds are discussed below.

2.2 Income thresholds

The *social policy minimum* is based on the statutory minimum income as adopted by the government in its social legislation. For persons aged up to 65, the amount of this guaranteed minimum income is the same as the applicable social assistance benefit level; for the over-65s it is equal to the state retirement pension (see insert 2.1). Because the social policy minimum is 5% more than the statutory minimum income, households with little supplementary income from employment or with limited assets are also included among the poor. Since the norms applied for social security benefit and the state pension do not always precisely follow the trend in prices, the social policy minimum is less suitable for comparisons over time. Nonetheless it is important, because it enables the number of households with an income around or below the politically recognised poverty line to be determined.

Insert 2.1 Social assistance and state retirement pension

Norm amounts for social assistance

The norm amounts defined in the Dutch National Assistance Act are derived from the net statutory minimum wage (SMW) for people aged 23 and over. Until 1996 the following norm amounts applied:

- (un)married couples: 100% SMW
- single-parent families: 90% SMW
- single persons: 70% SMW
- home-sharers: 60% SMW

When the new National Assistance Act came into force on 1 January 1996, the norm amounts for single-parent families and single persons were reduced to 70% and 50%, respectively, of the SMW. Depending on people's individual circumstances, local authorities were allowed to increase these payments by a maximum of 20%. The separate norm amount for home-sharers was scrapped.

In 2001 (the year for which the most recent income data are available), the net SMW amounted to just over EUR 1,000 per month.

Structure of the state retirement pension

The General Old Aged Pensions Act provides a benefit in retirement for which every citizen is insured and which is not dependent on their employment history. As with social assistance benefit, the level of state pension is derived from the statutory minimum wage. Over-65s living alone receive 70% of the SMW, while couples receive 50% of the SMW each.

An exception applies for people who were resident abroad between the ages of 15 and 65; for each year that they did not live in the Netherlands, 2% is deducted from their pension.

The *low-income threshold* represents the same purchasing power for all households. It is based on the social assistance benefit for a single person in 1979, when the purchasing power of social security benefit was relatively high. For other types of household the threshold is determined by applying a mark-up factor based on the actual extra costs of multiple-person households (see insert 2.2). As the low-income threshold for the years after 1979 is adjusted for price inflation, it is suitable for comparisons over time.

Insert 2.2 Equivalence factors

To achieve a comparable level of prosperity, a multiple-person household needs a higher income than a single-person household. On the other hand, a multiple-person household has certain economies of scale, for example because proportionately less of the household income is spent on fixed housing costs. Equivalence factors are used to correct for differences in the size and composition of households, taking into account their actual spending patterns. A distinction is made between spending exclusively on children (e.g. toys), spending exclusively for adults (e.g. clothing), expenditure for both children and adults (e.g. food) and collective expenditure (e.g. housing costs).

The equivalence factor for single-person households is 1. For each additional adult in the household, a factor of 0.38 is added, while for each child a factor of 0.15-0.30 is added, depending on age. Dividing the disposable household income by the resultant equivalence factor makes the income of a multiple-person household comparable with that of a single-person household.

A third income threshold is the *relative poverty threshold*, which is defined as 60% of the median disposable income of a country. As it tracks median income, this threshold follows the development of wealth in a country, making it suitable for comparisons over time. The relative poverty threshold also has a number of disadvantages, however. For example, it provides no information about the needs of those concerned, making it unclear whether an income below this threshold actually makes people poor. In addition, the level of the relative poverty threshold depends greatly on the general prosperity and income inequality of the country concerned. In a wealthy country, those on less than 60% of the median income need not by definition be poor, while in a poor country even those on the relatively higher incomes could be poor. In this report the relative poverty threshold is used only in international comparisons, where by convention it is accepted as a standard (see chapter 4).

It is too simplistic to define poverty as having an income below one of these thresholds. It may for example be that people have put something aside for a rainy day, or that their fixed costs are low. The *Poverty Monitor* therefore also uses a number of *supplementary indicators*. The first of these is the length of time that a household receives an income below the relevant threshold. *Long-term poverty* occurs when a household receives an income below the low-income threshold or social policy minimum for a period of at least four years. If the household income fluctuates above and below the income threshold, this can be referred to as *poverty recidivism*. More specifically, these are households which manage to escape from poverty within two years, but then fail to stay out of poverty for at least a further two years.

A second supplementary indicator is the *wealth position* of the household. Wealth is taken as the balance of assets less debts. Assets consist of bank balances, securities, property and business capital. Cash, consumer durables (with the exception of the home), jewellery and antiques are left out of consideration. Debts include the home (mortgage) and consumer credit. If the debts exceed the assets, the term 'negative wealth' can be used.

The level of *fixed costs* is another supplementary indicator. Fixed costs are expenses arising from contractual obligations or government regulations; they include rent/rental value, consumption and standing charges for water and energy, insurance premiums and charges (e.g. contributions to school fees or uninsured medical expenses) and consumer taxes such as the occupier's portion of the property tax and drainage charges.

A final supplementary indicator presented in the *Poverty Monitor* is people's *subjective perception* of their financial position. This is measured among other things by the degree of difficulty people say they have in making ends meet, as well as reported payment arrears or financial limitations (insufficient money for certain expenses). The difference between people's actual income and the minimum income they regard as necessary is another of the subjective indicators of poverty.

2.3 The implications of the social policy minimum and the low-income threshold

The Dutch Ministry of Social Affairs and Employment (szw) regards the low-income threshold as a less reliable indicator of poverty because it may mean that households above the social policy minimum are labelled 'poor'. The norm used for the low-income threshold is the relatively high social assistance benefit for a single person in 1979. As this norm amount has repeatedly been reduced since then – the level of social assistance benefit has not always kept pace with inflation – the low-income threshold, it is argued, no longer reflects 'modern-day perceptions' of generally necessary living costs. In other words, the threshold is too high and therefore counts too many households as poor. What these 'modern-day perceptions' are is left unspecified. However, it may be useful to briefly consider this aspect which, though 'technical', can have considerable practical consequences.

When national assistance benefit was introduced in the 1960s, it was not stipulated which amounts or provisions were essential to enable a person in the Netherlands to lead an existence at an acceptable minimum level. The setting of norm amounts in later years was also not based on extensive studies of the necessary budget or the views of the population (see the summary in Vrooman and Snel 1999). Instead, the relative reductions in benefit levels after 1979 were justified more by budgetary considerations and a desire to increase the financial incentives (active integration, reduction of the poverty trap) than by reducing indigence among benefit claimants. In essence, the norm benefit amount is a political arrangement which is not based on any scientific insights into the essential costs of living.

As such, the number of people falling below the social policy minimum is interesting, in that it delineates the target groups of the policy and reflects the political consensus on the amount of income that is regarded as the 'floor' in the income distribution in the Netherlands. This is also why the *Poverty Monitor* reports on poverty according to this threshold - defined as 105% of the norm amounts defined in social legislation. The social policy threshold is however not suitable for comparisons of poverty over time; at best, it can indicate the size of certain policy target groups on an annual basis.

The social policy minimum is not an index-linked criterion, because indexation has not been applied consistently in the past. An income representing the same consumption value can mean that the recipient is poor in one year but not in the next. Application of this threshold can also lead to paradoxical situations: if the social policy minimum is raised, the size of the group of households on a minimum income increases in principle (the income of benefit claimants rises, but more low-paid workers fall below the threshold). Conversely, reducing the norm leads to a reduction in poverty according to this threshold. The phenomenon can even be eliminated altogether by setting the amounts of social assistance benefit at zero; it can however be assumed that for the Netherlands this is a *reductio ad absurdum*.

The low-income threshold is indexed and therefore suitable for measuring trends. Discussion is of course possible about the exact level of the low-income threshold. However, linking it to inflation means that reasonably consistent prosperity positions can be compared over time, something that is not possible with the social policy minimum as a threshold. One drawback of the low-income poverty line is its rather loose connection to the actual needs of different households. This could in principle be tackled by devising a more consumption-based threshold.

2.4 A consumption-based poverty threshold

Arguments can be found in the literature suggesting that consumption should be the mainstay for defining poverty rather than income. Vrooman and Snel (1999), for example, argue that the poverty threshold should be related to need, based on social consensus and indicative for aspects of poverty which are not directly reflected in income.

In the 1990s, the US Census Bureau took the initiative of developing a poverty threshold based on actual consumer spending by households (Citro and Michael 1995). Poverty was regarded as a shortage of economic resources for the consumption of goods and services that are generally accepted as necessary, so that a minimal level of existence is not achievable. This consumption-based definition proves difficult to apply in practice due to the unavoidably arbitrary nature of statements about what constitute necessary goods. An attempt was made to limit this arbitrariness as far as possible by taking actual household spending as a basis and using a panel of experts to determine the choices. This panel has put together a basic package of what are deemed to be necessary expenses on food, clothing and housing (including the associated fixed costs) for the most common type of household. The expenditure by these reference households on this basic package of goods was then ranked by amount, and the poverty threshold was defined at the 30th or 35th percentile, respectively, of the distribution. A selection of necessary goods and services was also made from the other household expenses, with a narrow and broader variant. The median expenditure by reference households on these other goods and services was divided by the median expenditure on the basic package resulting in two multiplication factors. By multiplying the basic package at the 30th percentile by the lowest factor and the expenditure at the 35th percentile by the highest factor, a low and high variant of the poverty threshold were produced. Finally, both variants were translated to other household types using equivalence factors.

Applying this calculation method to the Dutch situation shows that the percentage of poor households according to the high variant of the consumption-based poverty threshold is higher than according to the social policy minimum but lower than according to the low-income threshold. The trend over time is reasonably comparable

– especially when the percentages according to the consumption-based threshold are compared with those according to the low-income threshold. This may have to do with the fact that both thresholds apply equivalence factors when calculating the percentage of poor people within different household types. Moreover, although different methods are used, both the consumption-based model and the low-income threshold apply a correction for inflation.

One disadvantage of the ‘American method’ is that the amounts of the consumption-based threshold – and therefore probably the percentages of poor people – turn out to be highly dependent on the reference group selected. Further research will therefore be needed in order to arrive at a robust time series.

2.5 *A few problems with measuring poverty*

Unclassified and non-observed households

In the *Poverty Monitor*, not all households are included when calculating poverty rates. Households may be left out of consideration for various reasons, though all have to do with difficulties with the observation or interpretation of their income.

One group not included in the calculations are people who live in an institution or home and therefore do not run an independent household. Households where the breadwinner has an income for fewer than 52 weeks a year or households comprising students living independently on study grants, are also ignored. A fourth, relatively small group that is excluded from the calculation are households with no observed income. These may be persons who do indeed have no income and who may be sustained by relatives or friends, or people whose income is not measured due to administrative deficiencies. Finally, illegal immigrants and most of the homeless are left out of consideration, either because they have no (formal) income or because they do not run an independent household.

In 2001 a total of 473,000 private households were left out of consideration when calculating the number of households in the Netherlands with an income below the social policy minimum or low-income threshold. The same applies for the 217,000 people living in institutions or homes. Ultimately, 6.5 million households were included in calculating the extent of poverty.

Informal income

Only fiscally recorded income is taken into account in determining the poverty rate. In addition, however, there is also ‘black’ income, income from informal services which remains (unlawfully) outside the tax system and therefore leads to an underestimation of income. The question then is to what extent this income leads to a different picture of the number of households below the poverty threshold.

One indication can be obtained from data from the SCP's Amenities and Services Utilisation Survey 1999 (AVO'99). This survey asked a representative section of the Dutch population whether a range of facilities and services were produced and/or consumed by the household and what amounts were involved. The activities described included odd jobs in and around the home, cleaning or domestic work and babysitting. For example, respondents were asked whether they had performed paid domestic work for others during the last twelve months and how much they had received for doing this. They were also asked whether they themselves had made use of such services and how much they had paid for them.

It transpired that roughly one in six households (17%) offer informal services to other households, while more than a quarter of households (27%) consume such services. Bearing in mind the amounts involved (according to the respondents EUR 1,090 and EUR 850 per year, respectively), this means that in financial terms roughly 25% more informal services are consumed than produced.

Household income appears to have little effect on the production of informal services. 15% of the households in the highest income quartile report that they offer informal services to others, while the figure for households in the lowest quartile is 19%. Consumption of informal services, by contrast, rises strongly with income; the 25% wealthiest households consume almost twice as many informal services as the 25% households with the lowest incomes. Expressed in monetary terms, the consumption discrepancy between the wealthiest and poorest group is even greater, at more than a factor of 3.5.

These findings suggest that income from informal services does have some effect on the extent of poverty. After all, roughly a fifth of households in the lowest quarter of the income distribution receive income of around EUR 1,090 per year which remains entirely or partly outside the income records that are used to calculate the poverty rate. If the amounts involved in the provision of informal services are added as extra income to the disposable income of the producing households, the proportion of poor households (according to the low-income threshold) falls by around one percentage point.

3 Poverty – the main features*

3.1 Introduction

The previous chapter discussed the way in which the poverty rate in the Netherlands is determined. Three income thresholds were discussed, as were a number of supplementary indicators for poverty. This chapter will cover the development of poverty using the social policy threshold and the low-income threshold. A discussion of the poverty rate based on the relative poverty threshold can be found in chapter 4 where, as part of the discussion of social exclusion, international comparative data are presented.

Besides these poverty rates, this chapter also discusses the profile of the poor population, with a particular focus on those sections of the population with an increased risk of poverty.

Thirdly, this chapter looks at the supplementary indicators: duration of poverty, debt position, fixed costs and the subjective perception of the financial situation. The housing situation and the health of those on low incomes will also be compared with those on higher incomes. The extent to which poverty recidivism occurs in the Netherlands will be considered in the discussion of the dynamics of poverty (chapter 7).

The chapter concludes with a discussion of the geographical distribution of poverty, and the extent to which there are concentrations of poverty in the Netherlands.

3.2 Development of poverty rates

The income data in this section are derived from the Income Panel Survey (IPO), which is largely based on tax records. At the time of writing, the IPO is under revision¹. As well as figures up to 2000 inclusive, which pre-date this revision, a number of (provisional) figures for the period 1999-2001 post-revision have been included. In section 3.3 estimates of the growth in the number of households on a low income are given for the period 2002-2004, based on expected developments in purchasing power.

Table 3.1 shows how poverty developed according to the *low-income threshold* between 1981 and 2001. In the first half of the 1980s, in particular, there was a sharp rise in the number of households on a low income, from just under 640,000 in 1981 to more than 1.1 million in 1985, or from 13% to 22%. This rise was the result of economic recession, the ending of the linkage of benefits to pay trends, and the reduction in benefit levels.

* This chapter is based on texts from the *Poverty Monitor 2002*, *Poverty Monitor 2001*, *Poverty Report 2002* and *Poverty Monitor 2003*. The contributions from SCP are from F.A. Knol and J.M. Wildeboer Schut. The contributions from CBS are from P.C.J.M. Ament, A.A.M. Botterweck, H. Lautenbach, G.J.H. Linden, R.B. Lok and J.G.J. Thijssen (in alphabetical order).

After 1985 purchasing power improved and the number of people claiming unemployment benefit fell, also pushing down the number of households on low incomes. Between 1990 and 1997 this number fluctuated between at least 850,000 and 970,000, before falling sharply to less than 640,000 in 2001 (revised figure). This latter development was chiefly the result of the favourable economic climate, which meant that the number of people leaving poverty (the ‘outflow’) was higher than those entering it (the ‘inflow’). In 2001, tax reforms led to a further improvement in purchasing power.

The increase in the number of households with an income below the *social policy threshold* gives a less changing picture. After 1990 - the first year that data is available in the IPO on the number of households on a minimum income - their number increased from at least 600,000 to almost 650,000 in 1996. After that, there was a steady fall: in 2001 the number of households on a minimum income was slightly higher than 580,000 (revised figure).

Table 3.1 Number of households on a low income and on a minimum income (x 1,000)

			(after revision) ^a				(after revision) ^a	
	total	of which low income	total	of which low income	total	of which minimum income	total	of which minimum income
1981	4782	639			4782	.		
1985	5229	1138			5229	.		
1990	5712	857			5712	606		
1991	5809	882			5809	625		
1992	5886	884			5886	632		
1993	5964	913			5964	634		
1994	6034	970			6034	639		
1995	6134	953			6134	633		
1996	6209	970			6209	649		
1997	6331	953			6331	644		
1998	6414	861			6414	632		
1999	6453	835	6319	804	6453	627	6319	599
2000	6547	781	6427	743	6547	605	6427	577
2001			6459	636			6459	582

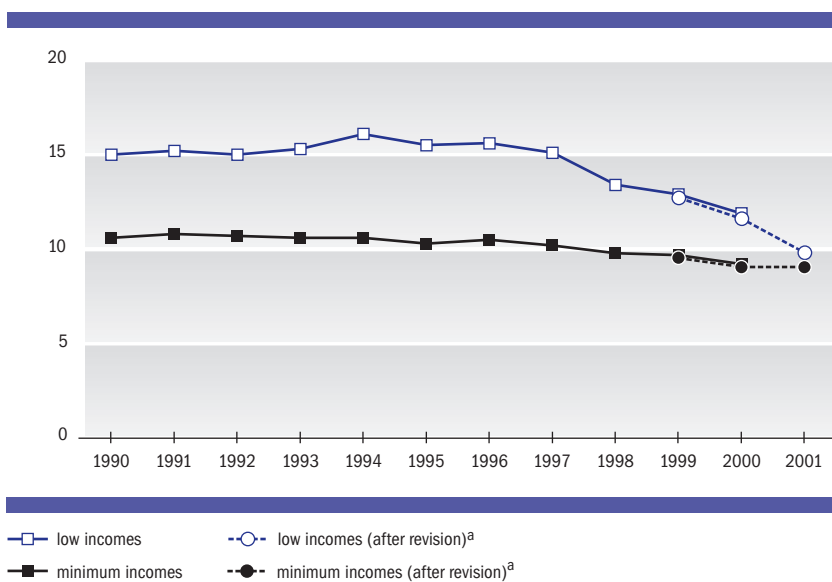
a The revised figures for 1999-2001 are provisional.

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Source: CBS (Income Panel Survey)

The percentage of households with a low income fell between 2000 and 2001 from 11.6% to 9.8%. Such a low percentage had not been observed before. As indicated earlier, the fall in the share of those on low incomes in 2001 was mainly linked to the growth in purchasing power as a result of tax reforms. These reforms saw wage tax rates and social security contributions lowered and employed persons’ tax allowances increased. The fall in the number of households on low incomes began in 1998; prior to that time the percentage of households on low incomes fluctuated for many years between 15% and 16% (see figure 3.1).

Figure 3.1 Low incomes and minimum incomes (in percent)



^a The revised figures for 1999-2001 are provisional.

Source: CBS (Income Panel Survey)

The number of households below the social policy threshold did not fall between 2000 and 2001, but remained constant at 9.0%. Although the purchasing power of the statutory minimum income increased in 2001, this had no effect on the number of households that had to live on this minimum (cf. chapter 2.3).

Income position of people on minimum income

It was stated in chapter 2 that the social policy minimum is a less suitable threshold for comparisons over time, because the link between social assistance benefit and the state pension and price inflation has been abandoned, at least partially. Table 3.2 shows that, partly as a result of the ending of this linkage, the median income of those living on a minimum income has fallen behind that of the Dutch population as a whole. In the period 1990-2001 the median income of the total population rose by over 1.3% a year on average. As a result, average incomes were almost 15% higher in 2001 than in 1990. The income position of people on a minimum income did not improve to the same degree, going up by just over 5% compared with 1990.²

The trend differed widely for minimum income recipients aged 65 or older and those aged below 65. The incomes of the latter changed by barely 3% between 1990 and 2001. The picture for the over-65s is considerably more favourable: their incomes rose by more than 14%. This difference according to age stems from the fact that in recent years the state pension has been higher than social assistance benefit, due to the older persons' tax allowance.

Table 3.2 Median standardised disposable household income by income position and age of main breadwinner

	euros 2001 (x 1,000)				indices (1990 = 100)			
	total	minimum income			total	minimum income		
		total	< 65 yrs	≥ 65 yrs		total	< 65 yrs	≥ 65 yrs
1990	15.5	8.7	8.6	9.0	100.0	100.0	100.0	100.0
1991	15.7	8.6	8.6	9.0	100.7	99.3	99.8	100.5
1992	16.6	8.6	8.5	9.2	106.8	99.3	98.7	102.1
1993	16.6	8.5	8.2	9.2	106.5	98.6	95.2	102.2
1994	15.6	8.4	8.3	9.1	100.4	97.5	96.9	102.1
1995	15.8	8.6	8.4	9.3	101.5	99.1	97.3	103.4
1996	15.9	8.6	8.3	9.3	102.3	98.8	96.8	103.6
1997	16.1	8.7	8.5	9.5	103.5	100.2	98.5	106.4
1998	16.4	8.9	8.5	10.1	105.8	102.8	99.4	112.5
1999	16.7	9.0	8.6	10.0	107.5	103.4	99.7	111.8
2000	17.0	9.0	8.6	10.2	109.6	103.9	99.9	114.1
2000 ^a	16.4	8.9	8.5	10.2	109.6	103.9	99.9	114.1
2001 ^a	17.2	9.1	8.8	10.2	114.8	105.4	102.8	114.4

a The revised figures for 2000 and 2001 are provisional.

Source: CBS (Income Panel Survey)

3.3 Estimates 2002-2004

Owing to a lack of very recent income data, an attempt is usually made in the Poverty Monitor to bring the poverty figures as up-to-date as possible using estimates (based on the low-income threshold). The methodology followed consists of three steps. First, the purchasing power of groups of households is predicted as accurately as possible for the years for which no IPO data are available. This is done by extrapolating data on general wage and price increases, statutory modifications of benefits and changes in taxes and social insurance contributions. Next, the purchasing power forecasts are applied to the most recent definitive IPO database (in this section, IPO 2000). Finally, this IPO database is reweighted to the situation in the socio-economic population profile as this developed in the most recent years. In this way not only are the changes in purchasing power incorporated into the available IPO data, but an attempt is also made to give the most up-to-date picture possible of the composition of the population. Although such a method is obviously unable to indicate exactly how big the group of households on a low income will be, experience shows that results obtained in this way correspond reasonably well to the actual realisations.

There was a slight general increase in purchasing power in 2002, ranging from 0.1% to 1.1%. For most population groups, however, 2002 was the last year in which purchasing power increased; a year later people were 0.3% to 1.3% worse off. The figures for 2004 are slightly more positive, with projected changes in purchasing power of between -1.1% and +0.1%.

Based on these forecasts of purchasing power, the proportion of households on a low income in the period 2000-2004 can be estimated. Table 3.3 gives a summary.

Table 3.3 Estimate of low incomes in 2003 and 2004 for several socio-economic groups (annual changes, in percentage points and as a percentage of the total in 2004)

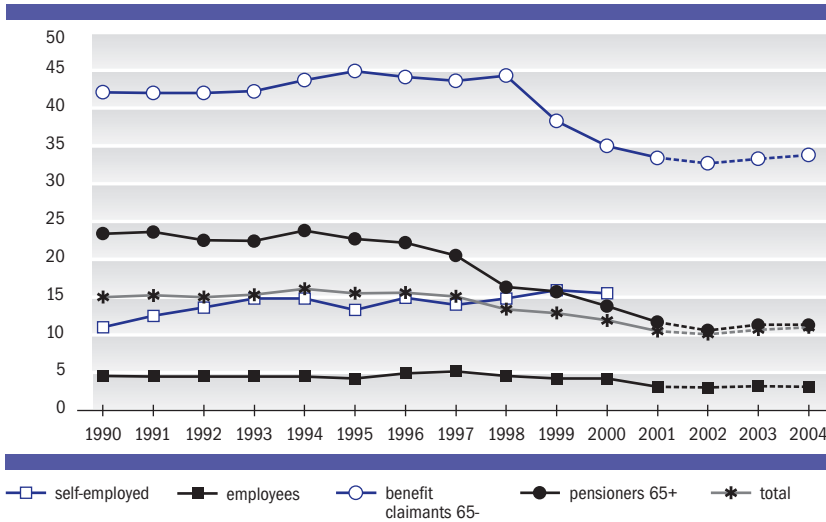
	total number of households in 2000 (x 1,000)	households on a low income in 2000 (in %)	estimated change (in percentage points)				households on a low income in 2004 (in %)
			'00/'02	'02/'03	'03/'04	'00/'04	
employee with no children	2140	3.9	-0.9	0.2	-0.1	-0.8	3.1
employee with children	1331	4.7	-1.8	0.3	-0.1	-1.6	3.1
single person on benefit	373	46.9	-2.2	1.0	0.7	-0.5	46.4
families on benefit	566	27.2	-2.7	0.4	0.5	-1.8	25.4
65+ single person	799	21.0	-4.4	0.8	0.1	-3.5	17.5
65+ with others	682	5.6	-2.1	0.4	0.1	-1.6	4.0
total	6547	11.9	-1.8	0.6	0.3	-0.9	11.0

Source: CBS (Income Panel Survey 2000); CPB (SCP treatment)

The share of households on a low income falls in 2004 by almost one percentage point compared with 2000. This is because of the substantial improvements in purchasing power in 2001, expressed in the table as a reduction in the size of the group on low incomes between 2000 and 2002. The loss of purchasing power which affected almost all groups in 2003 did not compensate for this. Among single persons over the age of 65 and families on benefit the percentage on low incomes is still considerably lower in that year (3.6 and 2.3 percentage points, respectively) than in 2000. In 2004 the number of poor people among those not working continues to rise, although among pensioners the increase is only slight. The share of low incomes among those on benefit, however, increases relatively sharply, by 0.7 and 0.5 percentage points. Part of the earlier reduction in this group is thus negated.

Figure 3.2 shows the development of the share of households on a low income in the aforementioned groups in the period 1990-2004. The figure clearly shows that 2002 was a turning point. Up to and including that year the relative number of poor fell within all groups; since 2003 poverty has been on the increase again for most groups and for the population as a whole, albeit to a lesser degree than the fall in the late nineties.

Figure 3.2 Actual and estimated percentages of households with a low income, by income source



a 1990-2000 actual; 2001-2004 estimates

Source: CBS (Income Panel Survey 1990-2000); CPB (SCP treatment)

3.4 Risk groups

Not all groups of households are affected by poverty to the same extent. It is therefore important to establish how great the differences are between household types. Here households are distinguished according to their composition and main source of income. Data on low incomes by ethnic origin are included in chapter 5.

Household composition

A breakdown by composition of the household shows a low income to be most likely in *single-parent families with children under 18 only*. In 2001 the percentage of households in this group below the low-income threshold was nearly 36% - three-and-a-half times as high as the average (see table 3.4). Compared to 1995, however, when one-parent families were almost four times as likely to be on a low income, their position has in fact improved slightly.

Some way behind the one-parent families come *single persons*. In this group the position of women is less favourable than that of men. Thus in 2001 around 11% of single men aged 65 or over were on a low income, while for single women in the same age group the figure was more than 15%. A similar male/female ratio in the percentage of low incomes is found among single persons aged under 65.

Among couples – with or without children – the percentage on low incomes is much lower than average. In 2001 just under 5% of couples aged under 65 were on a low income; for couples who have children under 18 only, the figure was slightly below 8%. Compared with the average of almost 10%, the share of low incomes among couples can therefore be described as low.

Table 3.4 once again shows that the position of the over-65s improved markedly in the second half of the 1990s. Whereas in 1990 and 1995 the risk of poverty for this category was greater than that of people aged under 65, by 2001 this group appeared to have a lower risk. To a large extent this can be put down to fiscal measures such as the older persons' tax allowance.

Table 3.4 Share of households on low income by composition of household, 1990-2001 (in percent)

	1990	1995	2001 ^a
single-parent family with children under 18 only	55.2	61.4	35.7
single person			
woman, ≥ 65 years	33.8	35.1	15.3
woman, < 65 years	26.5	27.0	21.5
man, ≥ 65 years	19.8	20.8	11.2
man, < 65 years	25.7	23.3	15.2
couple			
of whom with children under 18 only	9.8	9.4	7.6
≥ 65 years, with or without children	12.4	10.3	3.7
< 65 years, with or without children	5.1	5.2	4.8
total	15.0	15.5	9.8

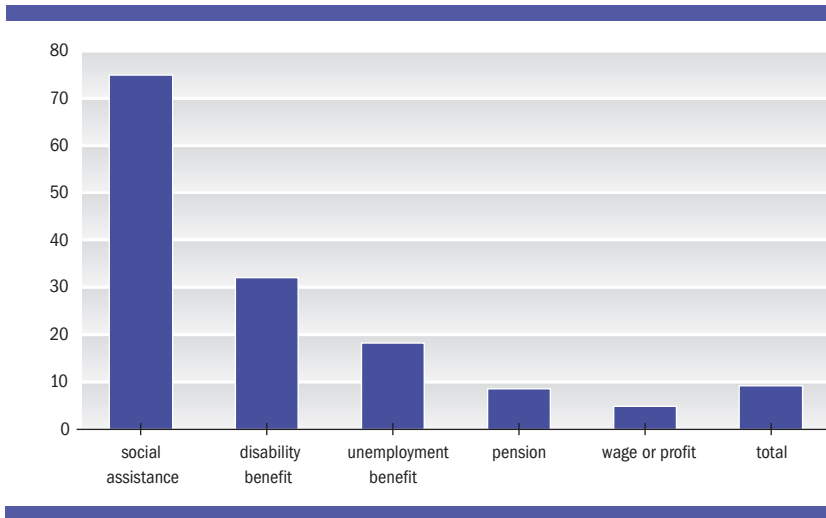
a Provisional figures.

Source: CBS (Income Panel Survey)

Source of income

Three-quarters of the households in which the highest earner derives their income mainly from social assistance benefit were on a low income in 2001. This means that the share of households on a low income in this category was almost eight times the average. The position of households in which the breadwinner has to rely on disability or unemployment benefit stands out favourably in comparison; just over 32% and 18% of these households, respectively, were on a low income. The position of households where the main breadwinner was retired was slightly below average.

Figure 3.3 Proportion of households with a low income, by main income source of main breadwinner, 2001^a (in percent)



a Provisional figures.

Source: CBS (Income Panel Survey)

3.5 Additional dimensions of poverty

Above, poverty is described in terms of the actual income situation of households. This section focuses on additional dimensions: the length of time that people are in poverty, people's fixed costs, people's perception of their own financial position, and the existence of payment arrears and financial constraints.

Long-term poverty

Research has shown that households on a low income for four years or more are much more likely to have difficulty making ends meet than households who have been in that situation for one or two years. The size of the group of households on a low income long-term therefore provides an additional indication of poverty.

Table 3.5 Number of households on long-term low income, or long-term minimum income (x 1,000)

	total	long-term low income	long-term minimum income
1990	5712	.	.
1991	5809	.	.
1992	5886	389	236
1993	5964	397	246
1994	6034	411	248
1995	6134	421	251
1996	6209	429	240
1997	6331	435	244
1998	6414	391	243
1999	6453	370	235
2000	6547	342	228

Source: CBS (Income Panel Survey)

In 2000 – the most recent year for which this sort of information is available – something over 5% of households had been on a low income for four years or more; in 1995 the figure was just under 7%. According to this criterion, long-term poverty therefore fell in that period.

The picture is similar for households that had to live on a minimum income for four years or more. Again the figure fell, though to a much lesser extent than for households living on a low income long-term. In 2000 just over 3% of households were living long-term on a minimum income; in 1995 this figure was more than 4%.

Share of fixed costs

Fixed costs are expenses arising from contractual obligations. They include expenses for rent, mortgage, water, energy, insurance and consumer taxes. These costs take up a large part of the budget of households on a low income. After an increase in fixed costs in the first half of the 1990s, there was a slight drop from 1996 onwards. Despite this, fixed costs in 2001/2002 were still above the level of the early 1990s. Households on low incomes were spending 45% of their budget on fixed costs in 2001/2002, compared with 40% in 1990/1991. The figures for households with an income above the low-income threshold were 34% and 32%, respectively.

Table 3.6 Share of expenditure on fixed costs for households by income position

	below the low-income threshold					above the low-income threshold				
	'90/91	'95/96	'99/00	'00/01 ^a	'01/02 ^a	'90/91	'95/96	'99/00	'00/01 ^a	'01/02 ^a
total expenditure (x € 1,000)	10	12	15	15	15	19	22	26	28	29
as % of total expenditure										
fixed costs	40	47	44	45	45	32	35	33	34	34
gross rent(able value)	25	31	30	29	28	21	22	22	22	22
water and energy	8	8	7	8	8	5	5	5	5	5
insurance and repayments	5	5	4	5	5	4	5	4	5	5
consumer taxes	2	4	3	3	3	2	2	2	2	2
as % of total expenditure minus housing benefit										
fixed costs minus housing benefit	36	42	40	41	41	31	35	33	34	34
rent(able value) minus housing benefit	21	26	24	25	25	20	22	21	21	21

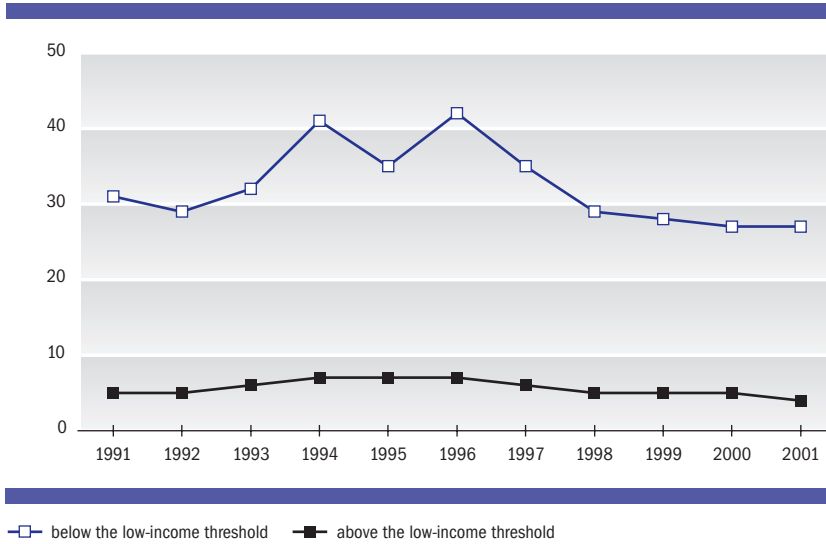
a Estimates

Source: CBS (Budget Survey)

Subjective income perceptions

Up to and including 2001 there was a steady decline in the number of low-income households indicating that they were having difficulties making ends meet (see figure 3.4). In the mid-1990s the figure was around 40%, after which it fell to 27% in 2001. Despite this, the proportion of low-income households who find it difficult to manage is still much higher than among those on higher incomes; of the latter group of households, 7% indicated that they were finding it difficult to manage in the mid-1990s, and by 2001 the figure was only 4%.

Figure 3.4 Percentage of households who have difficulty or great difficulty making ends meet from their income, by income position (in percent)

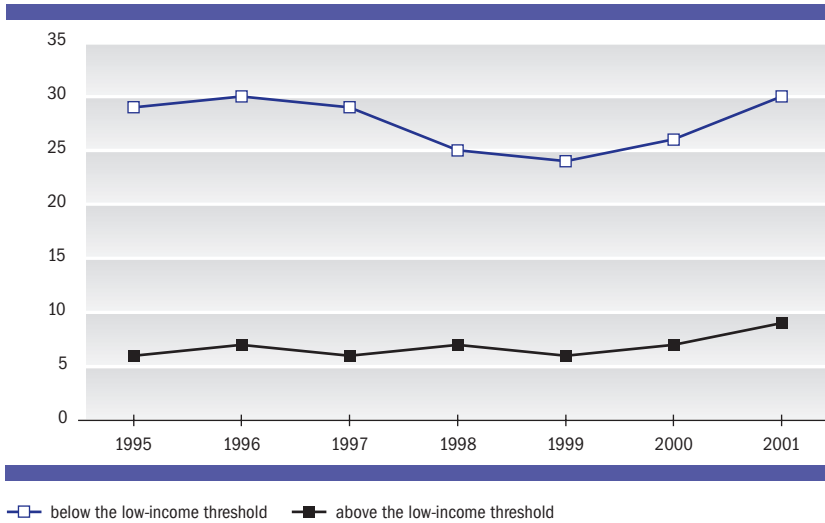


Source: CBS (Socio-Economic Panel Survey)

People’s assessment of their own financial situation is more negative among households that have been on a low income long-term. Of the people who had already been part of a household on a low income for four years or longer by 2001, 31% indicated that they found it difficult to live on their income. The figure for people that had only been on a low income for a year was 25%.

In 2001 30% of households below the low-income threshold had an income lower than what they themselves regarded as the necessary minimum. This percentage was thus back up to the level in the years 1995-1997. In the intervening period a quarter of households had an income below what they considered to be the minimum necessary income. Having less than the minimum necessary income is less likely among households above the low-income threshold; between 1995 and 2000 this percentage was consistently 6% or 7%. In 2001 however, despite the sharp increase in purchasing power, a rise to 9% was noted.

Figure 3.5 Proportion of households in receipt of an income which they themselves consider to be below the minimum needed, by income position (in percent)



Source: CBS (Socio-Economic Panel Survey)

Debts

Given the finding that those on low incomes are more likely to find it difficult to manage and that they are also more likely to describe their income as ‘less than the necessary minimum’, they might be expected to be in debt more often than those on higher incomes. However, the reverse is true: while 33% of households with an income above the low-income threshold have non-mortgage debt, among the households on a low income the share is 30%.

Households on a low income have less financial scope to pay back debts, so there are fewer opportunities for them to borrow large sums of money. The outstanding debt is therefore smaller as well: in 2000 the median outstanding debt was EUR 2,000 among those on low incomes, compared with EUR 6,400 among those on higher incomes.

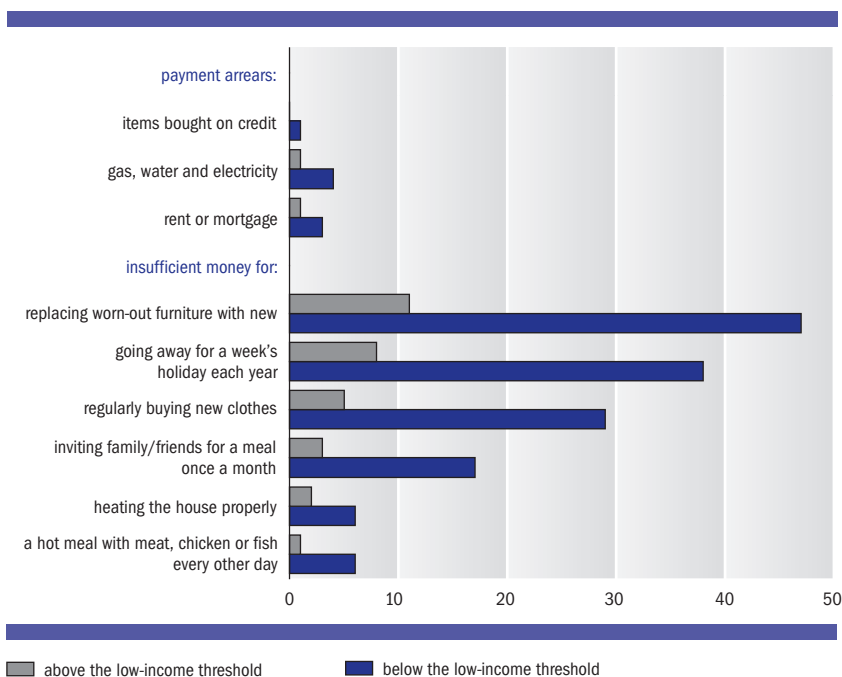
Not only does the level of debt differ between low and non-low incomes, but also the type of debt. Households on a low income are more likely to take out loans that do not require a thorough analysis of income. Examples of such debts are those in the form of an overdraft (being in the red) and the use of mail order credit (often referred to as hire purchase or payment in instalments). Borrowing money from family and friends also falls into this category. In 2001, of the households on a low income with debts, 51% stated that they were overdrawn, while 11% had a debt in the form of mail order credit. Among those on higher incomes with debts these shares were 27% and 6%, respectively. Those on low incomes are slightly more likely to borrow money from family (in 12% of cases, compared with 10% among those on higher incomes).

A third difference between the debt position of those on low incomes and others, is the way they perceive the debt. Households on a low income that had taken out a loan in 2001 were more likely than households on a higher income to say that they found repaying the loan difficult or very difficult. In the first category 52% found repayment (very) hard, while this share among other incomes was only 21%. It is therefore not surprising that the first group are also more likely to state that they have difficulty managing (38%, compared with 7% of those on higher incomes with a loan).

Payment arrears and financial constraints

In 2001 5% of households on a low income reported payment arrears. These arrears related almost as often to the payment of rent or mortgage costs as to charges for gas, water and electricity. Besides payment arrears there are also financial constraints. Replacing worn-out furniture with new is the most frequently mentioned. In 2001, of the households on a low income, 47% indicated that they did not have enough money to replace worn-out furniture. Going for a week's annual holiday came second; slightly fewer than four in ten households on a low income did not have enough money for this. Almost three in ten of those on low incomes also stated that they did not have enough money to buy new clothes regularly. Entertaining family or friends was problematic for one in six households on a low income.

Figure 3.6 Proportion of households with payment arrears and financial limitations, by income position, 2001 (in percent)



Source: CBS (Socio-Economic Panel Survey)

3.6 Health and housing situation of those on low incomes

The additional indicators of poverty that have been discussed so far are all related to the financial circumstances of households. However, poverty can also be linked to aspects of living conditions that have a less material nature. This section looks at two of these areas, health and housing.

Poverty and health

Most researchers of the relationship between income and health are in agreement that the poor are less healthy, or at least feel less healthy than the rich. This seems to be true of the Netherlands, too. In 2000 49% of all people aged 16 or over with an income below the low-income threshold stated that in general they do not enjoy particularly good health. This figure is much higher than among people with an income above the low-income threshold, of whom slightly more than a quarter thought that they were not in particularly good health (see table 3.7).

People on a low income have an increased tendency towards long-term health problems. In 2000 46% of those on a low income stated that they had long-term problems with their health, while among those on higher incomes this figure was only 27%. People aged 45 and over with a low income were the most likely to state that they had a long-term health problem. In the 45-64 age group the figure was 51% and for the older age group it was even higher, at 64%. The vast majority of people in these groups on a low income experienced some degree of difficulty whilst carrying out daily tasks as a result of their long-term health problem.

In all age groups physical and mental complaints are more common among people on a low income than among their peers on a higher income. In 2000 people on a low income were more than one-and-a-half times as likely to report physical or mental problems. The share of people on a low income that had visited their GP or specialist on one or more occasions in the previous twelve months was also slightly higher.

In contrast to the visits to their GP or specialist, people on a low income are less likely to use the services of the dentist. In 2000 this was the case in all the age groups with a low income.

Table 3.7 People aged 16 or over by income position, age and health characteristics, 2000^a (in percent)

	long-term health problem					
	not very good health	total	of which trouble with daily tasks	regularly affected by		visit to dentist
				physical complaints	mental complaints	
below the low-income threshold	49	46	91	25	11	58
of which						
< 45 years	29	27	85	17	9	84
45-64 years	55	51	94	27	13	60
≥ 65 years	68	64	89	31	11	26
above the low-income threshold	26	27	81	15	5	78
of which						
< 45 years	15	18	78	14	4	91
45-64 years	32	32	84	15	6	77
≥ 65 years	50	48	88	20	5	43
total	29	30	83	17	5	76

a Provisional figures.

Source: CBS (Socio-Economic Panel Survey)

Poverty and housing situation

Due to their limited budget, households on a low income have less choice when it comes to housing. As table 3.6 shows, a relatively large part of their income (45% in 2001/2002) goes on housing costs. In absolute terms, however, they have less to spend on housing than households on a higher income. In many cases this will be reflected in the quality and comfort of their housing.

Of all households on a low income 10% owned their own property in 2000. Between 1996 and 2000 this share rose by 2 percentage points. Among households on a low income long-term, the share owning their own property was considerably lower, at 3%. This percentage has not changed in recent years. The contrast with households on an income above the low-income threshold is considerable; 56% of these households own their own home.

Households on a low income have more problems with their home and residential setting than households on a higher income (see table 3.8). In 2000 at least one in three households on a low income stated that their home was too noisy; among those on higher incomes the figure was 19%. In addition those on lower incomes clearly had more frequent problems with their heating and dampness of walls and floors. Those on low incomes also perceived their residential setting less favourably. Almost a quarter of those on the lowest incomes stated that they suffered noise pollution from

their neighbours and at least one in five of these households said they suffered from vandalism or crime. Among the households with an income above the low-income threshold 18% and 16%, respectively, indicated that they had these problems with their residential setting.

Table 3.8 Households having problems with their housing, by income position, 2000^a
(in percent)

	below the low-income threshold	above the low-income threshold
too small	11	10
too dark	8	5
poor heating	10	4
leaking roof	4	3
damp walls or floors	13	8
rotten window frames or floors	10	7
too noisy	34	19
noise pollution from neighbours	24	18
noise pollution from factories, traffic etc.	21	19
odour pollution	15	11
trouble with vandalism or crime	21	16

a Provisional figures.

Source: CBS (Socio-Economic Panel Survey)

3.7 Geographical distribution of poverty

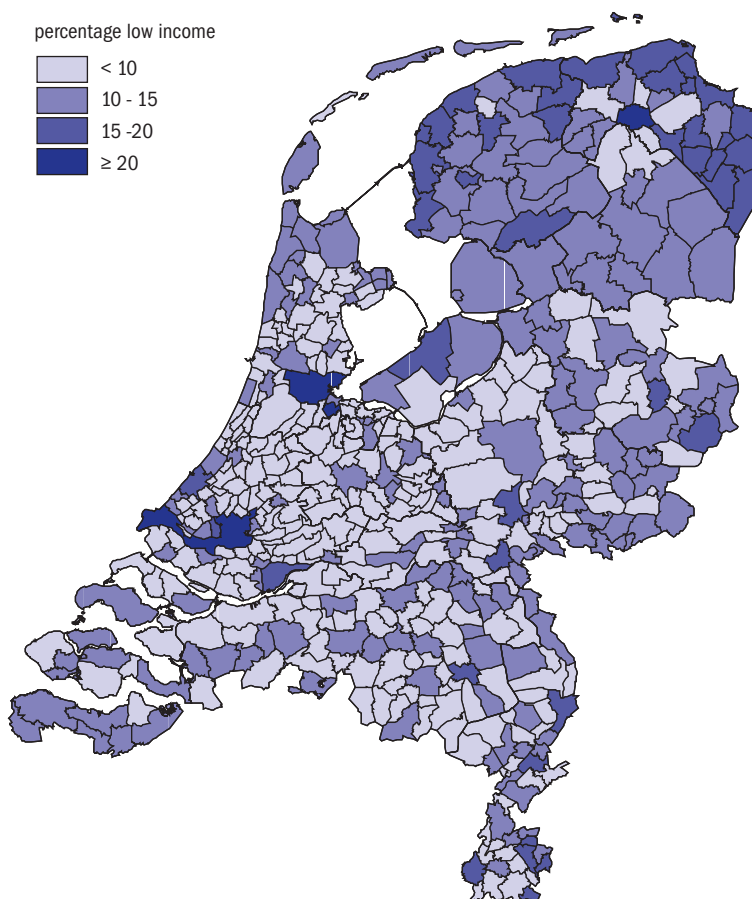
In the first edition of the *Poverty Monitor*, the question of whether there is such a thing as geographical concentration of poverty was already discussed extensively. This was prompted directly by the social and political debate on segregation and the creation of urban ghettos. Selective migration, it was argued, might lead to an increasing concentration of households on low incomes, resulting in the creation of so-called ‘poverty districts’, where divergent norms and behaviour predominate.

This section begins by – literally – showing the geographical distribution of those on low incomes in the Netherlands. The question of whether there is indeed geographical segregation of poor households is then examined, for both the Netherlands as a whole and for the four major cities. The data are drawn from the Regional Income Survey (RIO), which gives an insight into the distribution of incomes at neighbourhood, district and municipal level.

Poverty in the Netherlands mapped out

Figure 3.7 shows the distribution of low incomes throughout the Netherlands in 2000. The municipalities with a large share of low incomes vary in size and location. However, many of these municipalities are concentrated in the northeast of the Netherlands, in the provinces of Friesland and Groningen. The municipalities with a small share of low incomes are, on the other hand, often situated in the provinces of Noord-Holland and Zuid-Holland, in the west of the country.

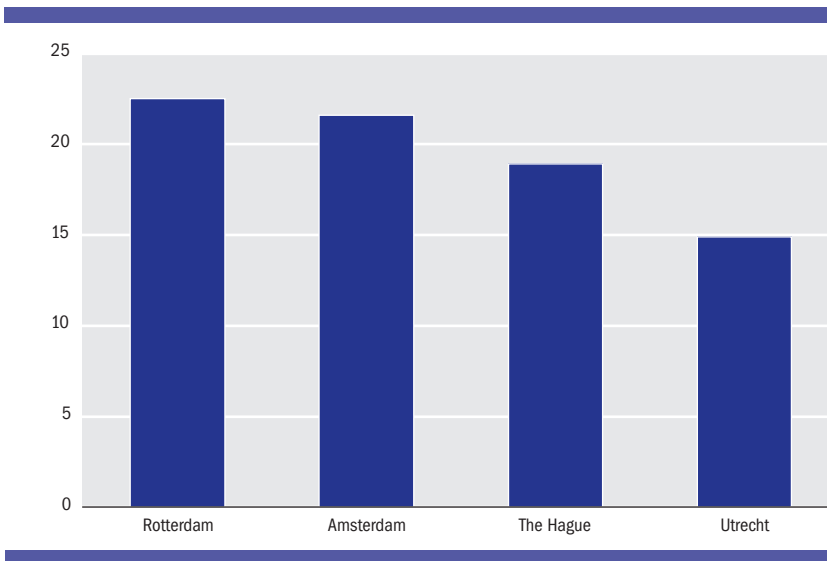
Figure 3.7 Share of households with a low income, by municipality, 2000



Source: CBS (Regional Income Survey)

In 2000 a quarter of the households on a low income lived in one of the four major cities, especially in Rotterdam, Amsterdam and The Hague; in Utrecht the percentage of households on a low income was not so far above the national average. This concentration of low incomes in the major cities has a number of causes. Relatively speaking there are more people on social assistance or unemployment benefit in the major cities. In addition, recipients of disability benefits and pensioners living in the four major cities more often fall below the low income threshold than their peers elsewhere in the country.

Figure 3.8 Households with a low income in the four major cities, 2000 (in percent)



Source: CBS (Regional Income Survey)

Within the four major cities several postcode districts stand out in negative terms. Both Rotterdam and The Hague have a number of postal areas where more than 35% of the residents are on a low income. However, the Schildersbuurt district in The Hague outstrips all of them, with almost 45% of its residents being on low incomes.

Geographical segregation of poverty

The geographical segregation of households on a low income is measured with the aid of the segregation index (see insert 3.1). This index can be interpreted as the percentage of people on low incomes who would have to move house in order to achieve an equal spread across the area in question.

Insert 3.1 Segregation index

To determine the segregation index, the Netherlands is divided into squares measuring 500 by 500 metres. The segregation index S of an area (municipality, agglomeration, the Netherlands) is given by the formula $S = 100 \times \frac{1}{2} \sum \frac{l_i}{L} - \frac{o_i}{O}$, where l_i and L are the number of households with a low income in square i and the entire area, respectively, and o_i and O are the other households in square i and the entire area. If the households with a low income and the other households are distributed across the squares in the same way, the segregation index equals 0. If all households with a low income are concentrated in squares where no other households occur, the segregation index equals 100. The index can be interpreted as the percentage of households with a low income that would have to relocate in order to obtain an even spread of these households.

In rural areas in particular, there are a fair number of squares containing few or no households. For this reason, only squares containing at least a hundred households were included in the analysis. To ensure enough squares were left for each area, the analysis was limited to areas with at least 20,000 inhabitants. It can occur that an area boundary runs through a square. In that case only that part of the square is used that falls within the area being considered, provided at least a hundred households live there.

Table 3.9 presents the growth in the segregation index for different geographical units (municipalities, agglomerations and the Netherlands as a whole) between 1994 and 2000. First of all it becomes clear that the larger the area to which it relates, the higher the index. This is because the segregation index of a large area is not only determined by the degree of concentration of low incomes within the smaller units, but also by the differences between these units.

While the proportion of households on low incomes fell between 1994 and 2000, the segregation index for the Netherlands as a whole rose in the same period from 26.8% to 28.7% (see table 3.9). In 2000 therefore almost three out of ten households on a low income in the Netherlands would have had to move in order to achieve an equal spread of low incomes across the country.

In addition, in the majority of municipalities there were fewer households on a low income in 2000 than in 1994, but they were less well spread out; in almost all 235 municipalities with more than 20,000 residents the share of households on a low income fell, while in 194 of them the segregation index increased. The same is true of the agglomerations: the share of households on a low income fell, but the segregation index rose.

Table 3.9 Geographical segregation of households on a low income by type of area, 1994-2000

	number of areas (n)	on low income (in %)		change 1994-2000	average segregation index (in %)				
		1994	2000		change in segregation index				
					1994-1996	1996-1998	1998-2000	2000	2000
municipalities with ≥ 20,000 residents,	235	14.5	10.9	-3.7	21.0	1.7	0.4	0.3	23.4
of which									
20,000-50,000 res.	174	13.6	10.0	-3.6	20.5	1.8	0.3	0.4	23.0
50,000-100,000 res.	36	16.2	12.6	-3.6	21.6	1.9	0.6	-0.2	23.8
≥ 100,000 res.	25	18.6	14.5	-4.1	23.6	1.3	0.6	0.0	25.5
agglomerations	22	18.7	14.6	-4.1	24.5	1.4	0.7	-0.2	26.4
Netherlands		16.6	12.7	-3.9	26.8	1.6	0.5	-0.2	28.7

Source: CBS (RIO'94-'00)

The rise in the segregation indices for the different areas mainly occurred between 1994 and 1996. In that period the index rose by almost 2% for municipalities with fewer than 100,000 residents, and by approximately 1.5% for the larger areas (municipalities with 100,000 or more residents, agglomerations and the Netherlands as a whole). Between 1996 and 1998 the segregation index rose by only about 0.5%, and in the period 1998-2000 there was even a fall in a number of areas: thus segregation fell in 13 of the 22 agglomerations, and in 91 of the 235 municipalities. Only in municipalities with 20,000 to 50,000 residents can a rise still be seen.

Segregation in the four major cities

When considering geographical segregation attention is often focused on the urban environment, because that is where relatively large numbers of people on low incomes live. With regard to the four largest cities in the Netherlands in particular, the question regularly arises whether districts might be emerging which consist almost exclusively of poor households. In this section, therefore, special attention is paid to these cities (Amsterdam, Rotterdam, The Hague and Utrecht).

The number of households on a low income in these four cities is indeed higher than the Dutch average. However, there are significant differences: as shown in figure 3.8 (in 2000) at least a fifth of households in Amsterdam and Rotterdam were on a low income, while in Utrecht this was the case in only 15% of households.

Table 3.10 shows that the segregation of households on a low income is greatest in The Hague. Here, there are areas with a vast number of households on low incomes (e.g. the Schildersbuurt district mentioned above), but also areas where there are hardly any such households. In Amsterdam and Utrecht there is appreciably less segregation of households on a low income. Rotterdam occupies the middle ground as far as segregation is concerned.

Table 3.10 Segregation of households on a low income in the four major cities, 1994 and 2000 (in percent)

	1994	changes in segregation index			2000
		1994-1996	1996-1998	1998-2000	
Amsterdam	19.5	0.0	-0.3	-0.7	18.5
The Hague	26.7	1.2	0.8	0.2	28.9
Rotterdam	24.2	0.1	0.6	-0.6	24.3
Utrecht	20.3	2.0	0.6	-0.1	22.8

Source: CBS (RIO'94-'00)

Table 3.10 also shows that the degree of segregation in the big cities has changed over time. In The Hague and Utrecht, segregation increased between 1994 and 2000. The strongest increase was in the first two years; this increase slowed thereafter, and in Utrecht it changed to a fall between 1998 and 2000. Amsterdam shows a more constant decrease in segregation. Between 1994 and 1996 the amount of segregation was roughly unchanged; this was followed by a slight fall in the next two years, and after 1998 there was a sharp drop. In Rotterdam, finally, segregation increased between 1994 and 1998, but it also decreased here considerably in the period 1998-2000. The result is that the degree of segregation within this municipality in 2000 was roughly the same as in 1994.

Causes of changes in segregation

There are three developments that may be at the root of the changes in the share of those on low incomes and their geographical segregation: demographic changes (the natural turnover of the population), changes in household income, and house moves within an area or between areas.

For the period 1994-1998 (when segregation was still increasing) the influence of each of these factors was examined by disregarding the group affected by the change in each case and then determining how segregation would develop as a result. Table 3.11 presents the figures for the Netherlands as a whole and for the four major cities.

Table 3.11 Causes of changes in segregation, 1994-1998 (segregation index in percent, changes in percentage points)

	segregation index 1998	change, total	natural turnover	change in income position ^a	house move ^b	change in income position + house move ^c
Netherlands	28.5	2.3	0.5	0.5	1.7	-0.9
Amsterdam	18.6	0.3	0.3	-0.7	1.3	-0.2
The Hague	28.1	2.4	0.7	0.3	2.7	-1.3
Rotterdam	24.2	1.2	0.4	0.1	1.1	-0.8
Utrecht	21.1	2.4	-0.9	0.1	2.3	0.8

a Households that changed income position, but did not move house.

b Households that moved house, but did not change income position.

c Households that both changed income position and moved house.

Source: CBS (RIO'94 and RIO'98)

For the Netherlands as a whole the increase in the segregation index between 1994 and 1998 can be mainly attributed to the house moves of households that did not change income position. Without this group, the increase in segregation would have been 1.7 percentage point lower. The natural turnover of the population and changes in income position were each responsible for half a percentage point of the increase. The group which both experienced a change in income position and moved house, on the other hand, lessened the increase in segregation. Without this group, segregation would have risen 0.9 percentage points higher.

In the four largest municipalities, too, the increase in segregation was predominantly the result of house moves. This was the case particularly in The Hague and Utrecht, with Amsterdam and Rotterdam following some way behind.

Notes

- 1 The revision of the IPO has to do partly with changes in the existing sources and the availability of new ones. In addition, a number of concepts and classifications were revised and improvements made to the methods of estimating.
- 2 When describing the income developments, the effects of discretionary benefit ('crisis payments') and the remission of local levies were disregarded. Details on this are included in chapter 9.

4 Social exclusion*

4.1 Introduction

The problem of social exclusion has been attracting growing attention in the Dutch and European policy debate for some years now. This debate is hampered by the fact that, to an even greater extent than with regard to poverty, opinions differ on how social exclusion should be defined. This chapter looks at the theme of social exclusion in two different ways. First, social exclusion is described on the basis of a number of policy indicators that resulted from political decision-making in the European Union (§ 4.2). These indicators allow the progress of the different member states in achieving their common policy objectives in the area of social exclusion to be compared. Above all, however, they provide a picture of certain determinants of social exclusion; the phenomenon itself is not directly mapped out.

This gap is filled in the second part of this chapter, which presents a more detailed theoretical examination of the concept of social exclusion (§ 4.3). The aim is to develop a conceptual model that can be used for empirical research. This model is then applied to a survey drawn up specifically to analyse social exclusion. Not only is the extent of social exclusion and the size of the risk groups in the Dutch situation charted, but also the relationship between risk factors and social exclusion. In setting up the survey allowance was made for the relatively limited size of this target group and their reluctance to participate in the survey. Extra efforts were also made to reach sufficient members of ethnic minorities. The first provisional findings from this survey are discussed in this chapter.

4.2 International policy indicators for social exclusion

4.2.1 Policy background

Evaluation of policy measures increasingly calls for statistical information. In the Netherlands, for example, there is growing attention for policy accountability at all levels of the public service. At central government level this is given form in the project 'From policy budgeting to policy accountability', known in Dutch as *vBTB* (*Van beleidsbegroting tot beleidsverantwoording*). But the European Union (EU) also increases the need for policy indicators in various fields, including poverty and social exclusion.

* This chapter is based on a text from the *Poverty Monitor 2003*. Section 4.2 was written by H.-J. Dirven (CBS), section 4.3 by G. Jehoel-Gijsbers (SCP). The remaining sections were produced jointly.

Originally the EU objectives were aimed mainly at the economy; the development of the internal market and Economic and Monetary Union (EMU) are examples of this focus. However, the EU is increasingly seeking to achieve social objectives as well; for example, the European Council in Lisbon in March 2000 not only voiced the aim of making Europe the most competitive, dynamic knowledge-based economy in the world, capable of sustainable economic growth, but also called for more and better jobs and greater social cohesion.

Combating poverty and social exclusion is fostered at European level through the 'open method of coordination'. Among other things this method means that member states commit themselves to a number of common objectives; in the field of poverty and social exclusion these are:

- 1 To facilitate participation in employment and access by each citizen to all resources, rights, goods and services;
- 2 To prevent the risks of exclusion;
- 3 To help the most vulnerable;
- 4 To mobilise all relevant institutions.

Comparable indicators are adopted in the different member states to monitor progress in achieving the common policy objectives. The indicators in the fields of poverty and social exclusion are developed by a subgroup of the Social Protection Committee mainly consisting of representatives of national governments (policy officials and statisticians) and the European Commission (including Eurostat). Although scientific and statistical considerations play a role in the development of indicators, it is ultimately the government representatives who take the final decision on whether or not indicators will be adopted. An initial set of common indicators was adopted in December 2001 by the European Council in Laeken; these have since been referred to as the Laeken indicators.

As part of the open method of coordination, member states are expected to produce a biannual National Action Plan (NAP). The first Dutch NAP on combating poverty and social exclusion (SZW 2001) included a discussion of the national strategy and policy measures. It also looked at the development of indicators and monitoring of targets. The second NAP (SZW 2003) was the first to include information on the common Laeken indicators. It also includes specific indicators to enable particular areas to be described and the outcome of the common indicators to be interpreted. Based on the NAPs, the European Commission and the member states draw up a *Joint Report on Social Inclusion*. The first edition of this report was published in December 2001, the second appeared in early 2004.

4.2.2 International indicators

The European Council of Laeken initially adopted 18 common indicators for poverty and social exclusion. These indicators aim to cover four key dimensions of poverty and social exclusion: financial poverty, employment, health and education. They thus seek to reflect the multidimensional character of social exclusion.

The common indicators are divided into primary and secondary indicators. The primary indicators are regarded as the most important factors leading to social exclusion; the secondary indicators describe other dimensions of the phenomenon. Member states can supplement these indicators with tertiary indicators in their NAP, focusing on their specific national situation. These latter indicators can also provide an interpretation of the outcomes of the primary and secondary indicators. Cutting across the division into primary, secondary and tertiary indicators is a distinction between monetary and non-monetary indicators. This chapter presents recent figures on the common indicators for poverty and social exclusion for the current 15 members of the European Union.¹

Insert 4.1 Principles used in the selection of indicators

A number of principles were used in the selection of indicators. For example, an indicator must:

- encapsulate the essence of the problem well and have a clear and accepted normative interpretation;
- be robust and statistically valid;
- be sensitive to policy interventions, but not subject to manipulation;
- be capable of being measured in a way that is sufficiently comparable for all member states and as far as possible be comparable with the international standards applied by the United Nations (UN) and the Organisation for Economic Cooperation and Development (OECD);
- be based on recent data and be capable of revision;
- not impose too big a burden on member states, businesses or citizens of the EU in terms of measurement.

A number of principles also apply for the set of indicators as a whole:

- the set of indicators must be able to reflect different dimensions in a balanced way;
- the indicators must be mutually coherent and be allocated a proportional weight;
- the set of indicators must be sufficiently transparent and accessible to citizens of the European Union.

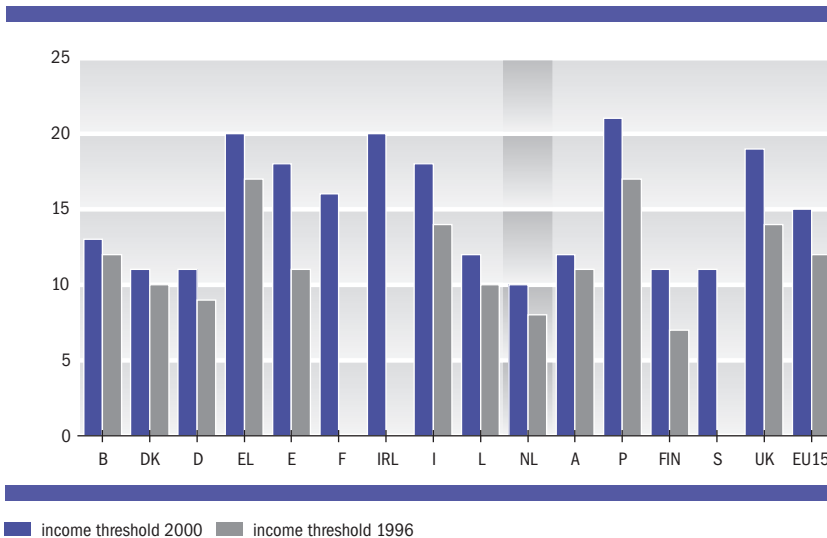
4.2.3 The position of the Netherlands in the European Union

Relative poverty

In 2000, 15% of the inhabitants of the European Union had an income below the internationally accepted relative poverty line: i.e. less than 60% of median income in their country. In European policy circuits, these people are described as being at risk of poverty. The Dutch poverty rate was 10%, putting the Netherlands in the group of countries with low relative poverty, along with Denmark, Germany, Finland, Sweden, Luxembourg and Belgium. In Greece and Portugal, by contrast, around a fifth of the population was poor according to this standard.

The position of the Netherlands is also relatively favourable based on the other indicators of financial poverty. For example, poverty can also be defined on the basis of a fixed income threshold, which represents a constant purchasing power over time. The relative poverty line is then anchored in time, as it were. Even if the income threshold in 1996 is taken as a starting point, the Netherlands is still among the group of countries with the lowest poverty rates. For a few other member states it makes a considerable difference whether the median income in 2000 or in 1996 is taken as a basis; in Spain, for example, the poverty rate falls from 18% to 11%, while in Finland it drops from 11% to 7%. This is because the median incomes in these countries have risen more strongly than inflation.

Figure 4.1 Persons in relative poverty, 2000 (in percent)²



Source: Eurostat (New Cronos)

Insert 4.2 Definitions of the indicators for relative poverty

In order to determine whether a person is living in relative poverty, the criterion used at European level is the median disposable household income within a member state. In order to make the incomes of households of different size and composition comparable, household income is standardised using a generally accepted international equivalence scale, the 'modified OECD equivalence scale' (cf. CBS/SCP 2002: 21). If all citizens of a member state are ranked according to the income of the household to which they belong, the median is the middle income. Precisely half the people have a lower income, while the other half have a higher income.

Percentage of people below 60% of median income in a member state (primary indicator)

The primary reference point for determining relative poverty is 60% of median income. This threshold amount is fixed annually and follows the trend in median income. It is thus an income-indexed threshold. The indicator is the percentage of the population forming part of a household with an income below this threshold.

Spread around the 60% income threshold (secondary indicator)

Since the choice of 60% of median income is arbitrary, as a secondary indicator poverty rates are also determined for each member state at different percentages of the median, namely 40%, 50% and 70%. This creates a better picture of the spread of relative poverty around the primary indicator.

Percentage of people below the 60% income threshold anchored in time (secondary indicator)

To supplement the primary indicator, as a secondary indicator the percentage of people in relative poverty is determined according to a price-indexed income threshold. This threshold represents a constant purchasing power over time, but does not follow the development of median income. For each member state the income threshold in a certain base year (here 1996) is set on the basis of 60% of median income. This threshold is then updated in line with the general trend in prices.

Percentage of people below the 60% income threshold before income transfers (secondary indicator)

Finally, the secondary indicator for relative poverty before income transfers seeks to give an impression of the influence of benefits on the poverty rate. To this end, the poverty rate is determined on the basis of the primary income of the household, i.e. without taking account of social transfers. The poverty rate is also calculated that would occur if pensions are included with primary income. The bigger the difference in the poverty rate before and after transfers, the bigger the contribution made by social security benefits and pensions to reducing poverty.

This indicator is not without controversy, because among other things it makes no allowance for 'behavioural effects': in the absence of social transfers, more people will have to acquire a primary income in order to meet their basic needs.

Poverty rates in the member states vary widely depending on the level of the income threshold. For example, in 2000 almost a fifth of the Dutch population were in relative poverty if the threshold is set at 70% of median income – almost twice as many as when the threshold is set at 60%. This is because many people on minimum benefit have an income that is between 60% and 70% of median income. The poverty rate in the Netherlands at the 40% and 50% income thresholds was 3% and 5%, respectively; according to these income thresholds, too, there were few poor people in the Netherlands compared with the other member states.

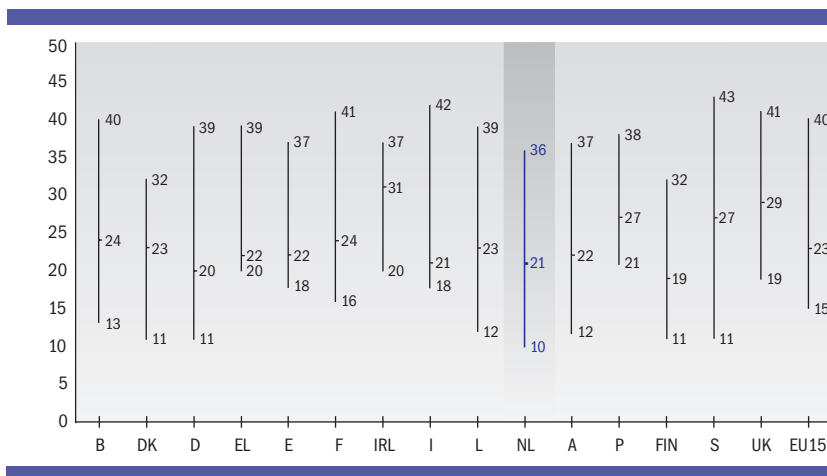
Table 4.1 Persons in relative poverty at various percentages of median income, 2000 (in percent)

	40%-threshold	50%-threshold	60%-threshold	70%-threshold
B	3	7	13	21
DK	2	5	11	18
D	3	6	11	17
EL	9	14	20	27
E	6	12	18	25
F	4	8	16	24
IRL	5	13	20	28
I	7	12	18	27
L	1	6	12	20
NL	3	5	10	18
A	3	5	12	20
P	7	14	21	28
FIN	2	5	11	20
S	4	7	11	18
UK	7	11	19	27
EU15	5	9	15	23

Source: Eurostat (New Cronos)

Without benefits and pensions, a much larger proportion of the population would be poor. If these forms of income are left out of consideration, the poverty rate in the Netherlands rises to 36%. If benefits are ignored but pensions are included, the percentage is 21%. The weight of benefits and pensions is only greater in Sweden. In Portugal and Ireland, the role of benefits and pensions is comparatively small.

Figure 4.2 Persons in relative poverty before social transfers (top), after pensions (middle) and after all social transfers (bottom), 2000 (in percent)



Source: Eurostat (New Cronos)

Long-term poverty

In 2000 one in eleven inhabitants of the European Union was below the relative poverty threshold on a long-term basis. Not only was their income less than 60% of median income in that year, but also in at least two of the three preceding years (1997-1999). More than half this group were also long-term poor according to the 50% income threshold.

Insert 4.3 Definitions of the indicators for long-term poverty

Long-term poverty based on the 60% income threshold (primary indicator)

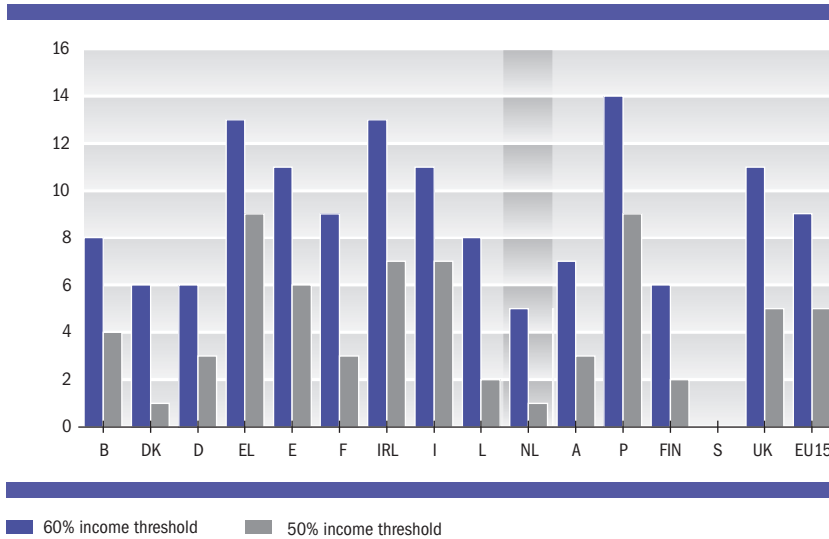
Poverty is long-term if in addition to the current year, the household concerned was in relative poverty in at least two of the three preceding years. In contrast to elsewhere in this Report, therefore, the period of poverty need not be consecutive. The primary indicator is based on an income threshold of 60% of median income. This threshold is determined separately for each year. The indicator is defined as the percentage of all people who are below this threshold on a long-term basis.

Long-term poverty based on the 50% income threshold (secondary indicator)

The secondary indicator is based on an income threshold of 50% of median income. This indicator is defined as the percentage of all people who are below the 50% income threshold on a long-term basis.

Relatively speaking, there was little long-term poverty in the Netherlands in 2000: according to the 60% criterion the Netherlands, Denmark, Germany and Finland had the lowest proportion of long-term poor, at between 5% and 6%. And according to the 50% criterion, only one in a hundred people could be classified as long-term poor in the Netherlands; this compares with one in 20 for the European Union as a whole. Long-term poverty was high in Portugal and Greece in particular.

Figure 4.3 Persons in long-term poverty, 2000 (in percent)



Source: Eurostat (New Cronos)

Poverty gap

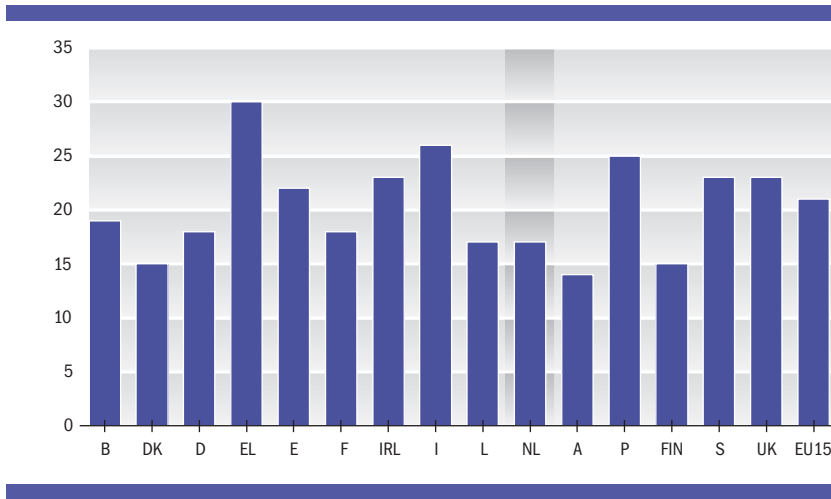
Not only is the number of people affected by (long-term) relative poverty in the Netherlands low by international standards; those who are long-term poor are also not a long way below the poverty line. In 2000 the median income of all Dutch citizens living in relative poverty was 17% below the poverty line; this poverty gap was only smaller in Austria, Denmark and Finland. The poverty gap was widest in Greece, at 30%.

Insert 4.4 Definition of the relative poverty gap

Relative poverty gap (secondary indicator)

In order to chart the poverty gap, the median income of persons in relative poverty is compared with the level of the 60% income threshold. The resultant difference, expressed as a percentage of the income threshold, is the poverty gap. This gives an indication of the severity of the poverty; the wider the gap, the greater the poverty.

Figure 4.4 Relative poverty gap, 2000 (in percent)



Source: Eurostat (New Cronos)

Income inequality

In 2000, the income of the 20% wealthiest people in the member states of the European Union was almost 4.5 times as high as that of the 20% poorest people. This ratio was even higher in 1995, at more than 5. In the Netherlands, the wealthiest households had 3.5 times as much to spend as the poorest people; only Denmark had significantly less inequality. The greatest income differentials were in Portugal, where the income of the wealthiest group was more than six times as high as that of the poorest group.

Insert 4.5 Definitions of the indicators for income inequality

The ratio of the income of the wealthiest 20% to the income of the poorest 20% (primary indicator)

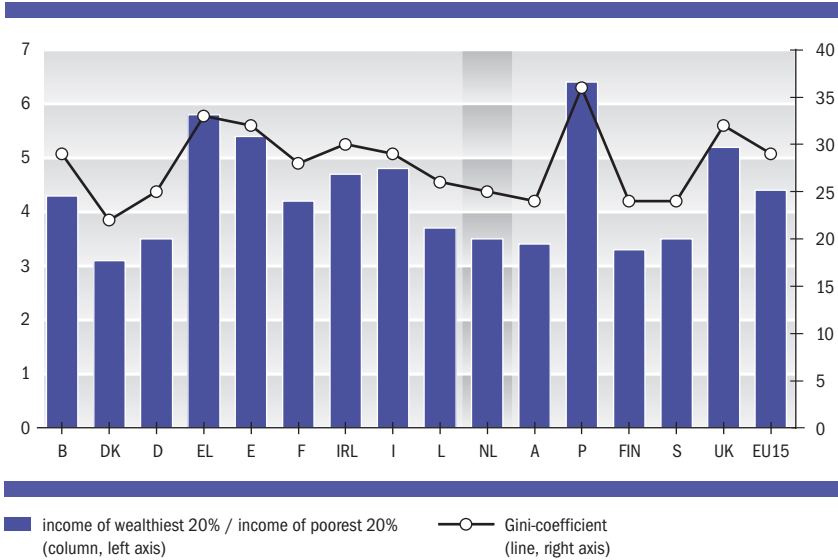
The primary indicator for income inequality is defined as the ratio of the total disposable household income of the wealthiest 20% of people in a member state to that of the poorest 20%. The higher this ratio, the more unequal is the income distribution. Household income is adjusted for the size and composition of the household.

The Gini-coefficient (secondary indicator)

The Gini-coefficient is used as a secondary indicator for income inequality. This coefficient has a value between 0 and 1. A value of 0 means that all incomes are equal. If the value is 1, one person has all the income. The Gini-coefficient can be interpreted as half the average difference in household income between two arbitrary persons, divided by the average household income of all persons.

The ratio showing the differential between income of the wealthiest and poorest residents of European Union ignores the middle incomes. The Gini-coefficient gives a more complete picture of income inequality. This has little impact on the positions of the member states in practice; according to this criterion, too, the Netherlands is among the countries with the lowest income inequality.

Figure 4.5 Income inequality, 2000 (ratios)



Source: Eurostat (New Cronos)

Regional cohesion

The Netherlands and Austria are the two European Union member states with the lowest regional spread of employment. This implies that differences in employment rate between, for instance, the urbanised western regions of the Netherlands and the northern provinces of the country are small. The biggest regional differences in employment are found in Italy, particularly between the north and south of the country.

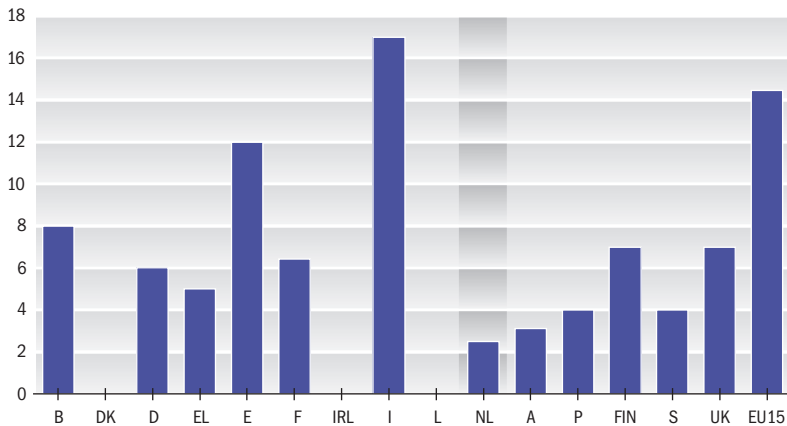
Insert 4.6 Definition of regional cohesion

Regional cohesion (primary indicator)

The indicator for regional cohesion is a measure of differences in employment rates between regions. Employment is expressed here as the percentage of the potential labour force who are in paid employment for at least one hour per week.

In order to map out the differences between regions, the variation coefficient is used. This is the ratio of the standard deviation of the differences in employment between regions to the average regional employment. The higher the value of the coefficient, the greater the differences between regions. For the Netherlands, the differences are determined between provinces. No data are available for Denmark, Ireland or Luxemburg. The regional aggregation level used coincides with the national level in Denmark and Ireland; only two regions are distinguished in the latter country at this level.

Figure 4.6 Distribution of regional employment, 2001 (variation coefficients)



Source: Eurostat (New Cronos)

Long-term unemployment

Unemployment is one of the major determinants of poverty and social exclusion. This is largely because of the adverse financial consequences of unemployment; long-term unemployment in particular is often accompanied by financial poverty. And the longer the unemployment lasts, the lower the chance of escaping it. For these reasons, the indicators for long-term unemployment occupy a key position on the list of Laeken indicators.

Insert 4.7 Definition of the indicators for long-term unemployment

Percentage of long-term unemployed (primary indicator)

The unemployed are defined as all people aged between 15 and 64 who have no work but who could start work within two weeks and are actively looking for work. Long-term unemployment is defined as unemployment which lasts at least 12 months. The number of people who are long-term unemployed is set against the total active population aged 15-64; the active population includes all employed and unemployed persons.³

Persons in an unemployed household (primary indicator)

The population in unemployed households is defined as the proportion of people aged between 18 and 59 in a household in which no-one is in paid employment. A number of households are left out of consideration here; these are households belonging to one of the following categories:

- all members of the household are younger than 18 years;
- 18-24 years, in full-time education and non-active;
- 60 years and older and not in work.

Data are not available for Denmark, Sweden and Finland.

Percentage of long-term unemployment (secondary indicator)

The percentage of long-term unemployment is defined as the number of long-term unemployed as a percentage of all unemployed persons.

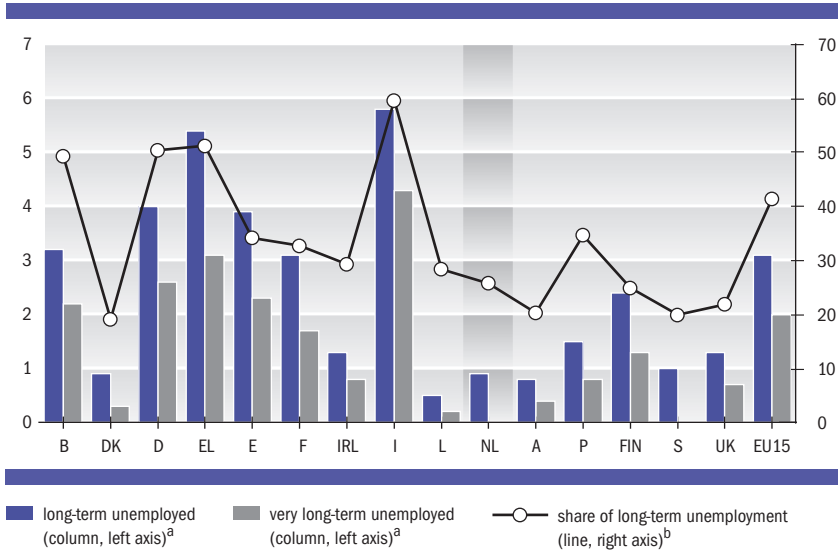
Percentage of very long-term unemployed (secondary indicator)

The percentage of very long-term unemployed is defined as the number of very long-term unemployed persons (at least 24 months) as a percentage of the total active population aged 15-64. No data are available for the Netherlands for this indicator.

In 2001, 3% of the active population in the European Union were long-term unemployed: they had not performed paid work for at least twelve months. Two-thirds of this group were very long-term unemployed, having been out of paid work for at least 24 months. The Netherlands is one of the member states with little long-term unemployment, along with Denmark, Luxembourg and Austria. In 2001, barely 1% of the active population in the Netherlands had been out of paid work for at least twelve months; in countries such as Italy and Greece the figure was 5-6%. Germany also ranked higher with 4% long-term unemployed.

More than 40% of total unemployment in the European Union was long-term in nature in 2000. This means that almost 60% of unemployed people had been out of work for less than a year. In member states with a high proportion of long-term unemployed, long-term unemployment generally accounts for a large share of total unemployment. In Italy, for example, 60% of unemployment was long-term in nature, while the figure in Germany and Greece was around 50%. In the Netherlands, by contrast, the figure was just over a quarter. In Denmark, Austria, Sweden and the United Kingdom, the share of long-term unemployment in total unemployment was even lower.

Figure 4.7 Long-term unemployment, 2001 (in percent)



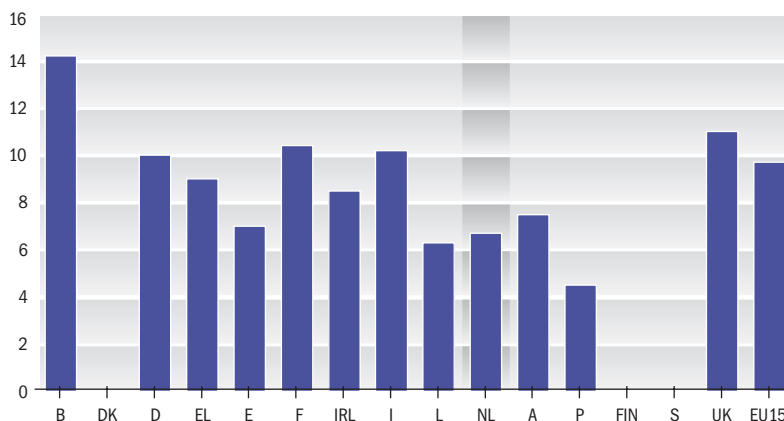
a Annual averages for 2001 except for D en L (2000)
b Annual averages for 2002 except for D, L en EU15 (2001)

Source: Eurostat (New Cronos)

Poverty and social exclusion do not depend only on the position of the person concerned on the labour market; the position of other members of the household also plays a role. In fully unemployed households, i.e. households in which no-one in the active age group is carrying out paid work, poverty and social exclusion are relatively common.

In 2002 one in ten citizens of the European Union aged 18-59 was a member of a fully unemployed household. The percentage varied from 14% in Belgium to 5% in Portugal. The percentage in the Netherlands was once again relatively low, at 7%.

Figure 4.8 Persons aged 18-59 years in an unemployed household, 2002 (in percent)



Source: Eurostat (New Cronos)

Education

Poverty and social exclusion correlate strongly with people's position on the labour market. That position is in turn largely determined by their education level; a low education level is thus one of the determinants of poverty and social exclusion.

Insert 4.8 Definition of the indicators for low education level

Early school-leavers (primary indicator)

Early school leavers are defined as the percentage of persons in the age category 18-24 whose educational career does not go beyond junior general secondary education, pre-vocational education, lower secondary school or very elementary vocational education and who are not currently engaged in (further) education or training.

Persons with a low education level (secondary indicator)

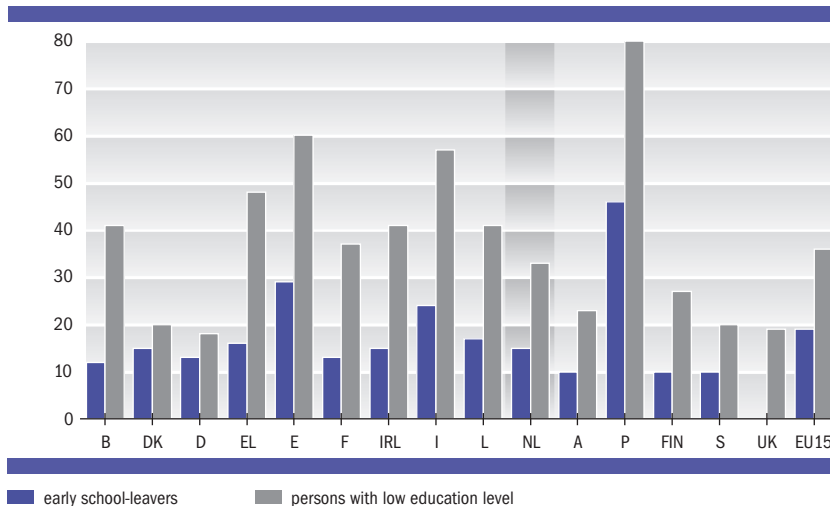
As a secondary indicator, the percentage of persons in the age category 25-64 is calculated whose educational career does not go beyond junior general secondary education, pre-vocational education, lower secondary school or very elementary vocational education.

In 2002 almost one in five 18-24 year-olds in the European Union could be classed as premature school leavers, having completed lower secondary school or less and not being engaged in (further) education or training.

The Netherlands occupies a middle position within the European Union on this aspect: 15% of young people were early school leavers in 2002. High percentages of early school leavers occurred in Portugal (46%) and Spain (29%). In Austria, Sweden and Finland, by contrast, the figure for 18-24 year-olds was only 10%.

Member states with high numbers of premature school leavers also have a high proportion of people in the 25-64 age-group with a low education level. For example, 80% of those in this age group in Portugal had completed lower secondary school or less. The figure was also high in Spain and Italy, at around 60%. The Netherlands was just about average for the European Union, at 33%. Germany, the United Kingdom, Denmark and Sweden had relatively few poorly educated people.

Figure 4.9 Early school-leavers, 2002/Persons with low education level, 2001 (in percent)



Source: Eurostat (New Cronos)

Life expectancy

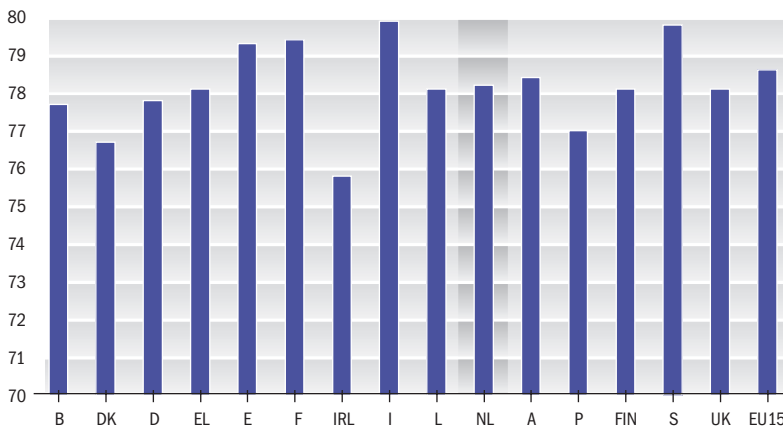
Apart from education, employment and income, health is also a determinant of poverty and social exclusion. One indicator for the health of the citizens of a member state is their life expectancy at birth. In the European Union in 2001, this figure ranged from 76 in Ireland to almost 80 in Italy. The life expectancy at birth in the Netherlands was just over 78 years, slightly below the average for the European Union as a whole.

Insert 4.9 Definition of life expectancy

Life expectancy at birth (primary indicator)

This indicator shows the expected number of years that a person will live from the moment of birth.

Figure 4.10 Life expectancy at birth, 2001 (in years)



Source: Eurostat (New Cronos)

4.3 Social exclusion: a detailed look at the Netherlands

4.3.1 Development of the concept of social exclusion

In section 4.2 the phenomenon of social exclusion was described on the basis of a number of indicators adopted in political decision-making at the European level, and which are assumed to influence the risk of social exclusion. However, adoption of these indicators does not in itself provide a definition of social exclusion. Unfortunately, unlike the concept 'poverty', and despite the frequent use of the term 'social exclusion', there is as yet no consensus among scientists and policymakers regarding its meaning and operationalisation. While it is equally true that there is no single scientific definition of the term 'poverty', researchers have established a number of common operationalisations of the term in recent decades (Muffels and Fouarge 2000).

The ambiguity regarding precisely which phenomenon the policy on ‘social exclusion’ aims to cover can be deduced among other things from the shift that has taken place in the policy debate at the European level in recent years. The concept of ‘poverty’ was gradually replaced by ‘social exclusion’, and subsequently by the concept of ‘social inclusion’, without it ever being made explicitly clear what these changes entail.

According to some observers, the theoretical and methodological under-development of the concept ‘social exclusion’ can be seen as a positive thing: it provides an impulse for fresh thinking, opens up issues to discussion and presents a challenge to national traditions in thinking about inequality and poverty (Chamberlayne, in Saraceno 2001: 19). On the other hand, the ambiguity can also present a risk, both for research and policy development: in a vaguely defined concept, relevant aspects can easily be forgotten and this can lead to an overly rapid operationalisation, without proper critical reflection. A conceptual exercise would seem appropriate here, so as to develop the notion of ‘social exclusion’ further and to define the term in such a way that it is usable for empirical research. Given that the terms ‘social exclusion’ and ‘poverty’ are used both interchangeably and alongside each other, section 4.3.2 first looks at the distinction between these two concepts.

4.3.2 Distinguishing between ‘social exclusion’ and ‘poverty’

Some authors define social exclusion by stressing the differences compared with poverty. The following theoretical distinctions are found in the literature in this regard (*inter alia* Berghman 1995; Room 1995; Engbersen and Snel 1996; Vrooman and Snel 1999; Saraceno 2001).

Static versus dynamic

Poverty is a static concept which relates to a certain income situation that is the result of a process of ‘impoverishment’. Social exclusion is a dynamic concept which relates to a process that leads to a deprived situation.

Unidimensional versus multidimensional

Poverty has a single dimension, namely a lack of financial means (income deprivation). Social exclusion has several dimensions, namely deficiencies in all kinds of areas related to full participation in society: income, paid employment, education, housing, health care, legal assistance, government provisions (multiple deprivation).

Distributional versus relational dimension

Poverty has to do with the distribution of income and goods (material aspects), which in more recent views also embrace the inclusion and exclusion of social rights. Social exclusion is concerned primarily with relational matters such as social participation and integration, behavioural norms of social citizenship (such as mutuality, mutual obligations, social engagement, solidarity) and the sharing of relevant values (non-material aspects).

Individual versus group dimension

Poverty occurs due to a lack of personal resources, whereas social exclusion is caused by a lack of community resources, i.e. the neighbourhood and social setting where a person lives, the social infrastructure, is deficient in 'including' people.

Where some authors suggest differences between the concepts of poverty and social exclusion, others apply a definition of poverty that is not unidimensional and which is intended to be more or less synonymous with social exclusion. Poverty is then defined as a deficiency in the material, cultural and social sphere which is such that the person concerned cannot achieve the generally accepted minimum standard of living. The cause of these deficiencies always lies in insufficient income and other financial resources. And this is where this broad definition of poverty does differ from social exclusion, where the cause of deficiencies can also be, for example, illness, old age, discrimination or poor housing conditions.

The distinction given above between social exclusion and poverty runs parallel to developments in the French and Anglo-American scientific tradition. The French school takes as a basis the theories of Durkheim on social cohesion and solidarity, the importance of normative integration and the risk of social alienation (anomie). This perspective tends much more towards the concept of social exclusion than material poverty, in which the Anglo-Saxon countries have a strong tradition. Scientific research in the latter countries very much takes its lead from the relative deprivation theory of Runciman (unequal access to material goods) as the starting point for research into poverty and social exclusion.

4.3.3 Social exclusion in terms of risk factors

The differences and correspondences between social exclusion and poverty as described in section 4.3.2 are predominantly theoretical in nature. When it comes to empirical research, it is assumed – often implicitly – that social exclusion cannot be adequately defined in practice. Preference is then given to an 'indirect' definition, by indicating which factors influence the risk of social exclusion. In other words, the research does not observe social exclusion itself, but rather its potential causes, whereby the focus is mainly or exclusively on the individual risk factors. Policy documents from the European Commission also provide no 'direct' definition of social exclusion as an independent concept, but again offer an indirect definition by referring to rights of social citizenship: 'The extent of social exclusion calls on the responsibility of society to ensure equal opportunities for all. This includes equal access to labour market, to education, to health care, to the judicial system, to rights and to decision-making and participation' (EC 2000, in Saraceno 2001: 3).

For their annual reports to the European commission, the member states have agreed that social exclusion will be defined on the basis of a number of social indicators relating to the dimensions of social citizenship rights referred to above. These 'risk

factors', which are assumed to influence the chance of social exclusion, are low income, unskilled labour, poor health, immigration, low education level, dropout, gender-inequality, discrimination and racism, old age, divorce, drug abuse, alcoholism and living in a 'problem accumulation area' (EC 2002: 10). Concrete agreements have been reached for a number of these indicators (see also § 4.2). To date, this consensus predominantly relates to indicators concerned with income and labour participation; low income and lack of labour participation are generally seen as the main risk factors for social exclusion. In the literature, however, reference is also made to research showing that the correlation between a low income and unemployment on the one hand and features of social exclusion on the other is not particularly strong (Saraceno 2001: 5, 9; Gallie and Pauham 2000; Home-Start International 2002: 41). A low income or absence of paid work thus does not by definition lead to social exclusion, and conversely people may be socially excluded without having a low income or being unemployed. If this limited correlation holds for the two risk factors income and labour participation, it will certainly apply for the other – probably less dominant – risk factors cited by the EU (old age, poor health status, divorce, etc). The use of these individual risk factors therefore does not yet provide a definition of the phenomenon of social exclusion. Monitoring the risk factors referred to provides an insight into the development of the risk of social exclusion, but not into the development of social exclusion itself.

4.3.4 Common elements in the definition of social exclusion

Many researchers and scientists have written on the subject of social exclusion without, as stated, arriving at a common definition. Based on the different descriptions of the concept of social exclusion Atkinson (1998, cited in Micklewright 2002) does however come to the conclusion that, whatever the definition of social exclusion may be, three common elements can be distinguished in the discussion of the phenomenon, viz.:

- 1 Relativity: Individuals are excluded from a certain society; exclusion can only be assessed by looking at someone's circumstances in relation to others in a given situation and at a given time.
- 2 Temporal perspective: Social exclusion is not only caused by a person's present circumstances, but also by the lack of future prospects.
- 3 Agency: People are excluded by what a person or organisation does or fails to do; the emphasis on 'agency' helps identify the cause of social exclusion and also assists in its resolution.

The first aspect (and possibly the second as well) appears not to be specific to social exclusion, but also plays a role in poverty. With regard to the 'temporal perspective', the added comment can be made that it is not only the lack of future prospects that is relevant, but that the length of time that a person remains in a given situation is also of crucial importance in establishing the existence of social exclusion. This duration factor can also be used as a predictor for a person's future prospects: the longer they are in a given situation, the more difficult it will be to escape from it.

The third element, the agency of social exclusion (the ‘excluders’), does not appear in the discussion of social exclusion in EU research and most National Action Plans. The inadequate functioning of certain individuals or institutions, or their non-existence, can however increase the risk of social exclusion just as surely as the characteristics of the individuals themselves (low-paid work, low education level, etc.). Analytically, the agencies of exclusion can be defined at various levels. The agency may be the government, whose policies can lead to social exclusion or whose policy to combat social exclusion may be inadequate. It may be administering organisations (e.g. benefit agencies, health and welfare institutions) which are charged with carrying out government policy, but do so in such a way that it generates social exclusion or combat the phenomenon inadequately. The agency may also be a non-government organisation, such as a client organisation, interest group or company; but individual citizens can also act as excluders by morally rejecting people who are ‘different’ (Schuyt and Voorham 2000).

4.3.5 *A model for social exclusion*

As was made clear in section 4.3.2, the concept of social exclusion is defined partly by contrasting it with the concept of poverty. However, the theoretical and methodological development of the concept might possibly benefit more from a combination of the two perspectives. Social exclusion can relate both to non-material characteristics (relational dimension) and to material aspects (distributional dimension). Social exclusion need not relate solely to the process of being socially excluded (dynamic), but can also designate the condition of being socially excluded (static). The causes of social exclusion and of being socially excluded can be sought both in the characteristics of the individual concerned and in the setting in which they operate. The only distinction that remains intact is that social exclusion always involves different dimensions, while poverty (in a narrow sense) relates only to the financial aspect.

The division into different dimensions requires some qualification. The focus in assessing social exclusion is on whether or not the *rights* of social citizenship (equal access to education, employment, housing, etc.) are at stake. The *duties* of social citizenship, expressed in active citizenship (see Van Gunsteren 1992) receive too little attention in the theoretical and methodological development of the concept of social exclusion. For example, active citizenship involves among other things complying with the duty to work, having a sense of responsibility towards one’s fellow citizens, social engagement and behaving in accordance with applicable legislation and regulations. Failure to observe the duties of citizenship (resulting in normative or cultural exclusion) can be seen just as much as a characteristic of social exclusion (or self-exclusion) as inadequate access to the rights of social citizenship.

Social exclusion is thus characterised not only by structural limitations (in the sense of limited access to the labour market, income and government provisions), but also by certain cultural, normative ‘limitations’ (inadequate compliance with dominant norms and values, and legal rules).

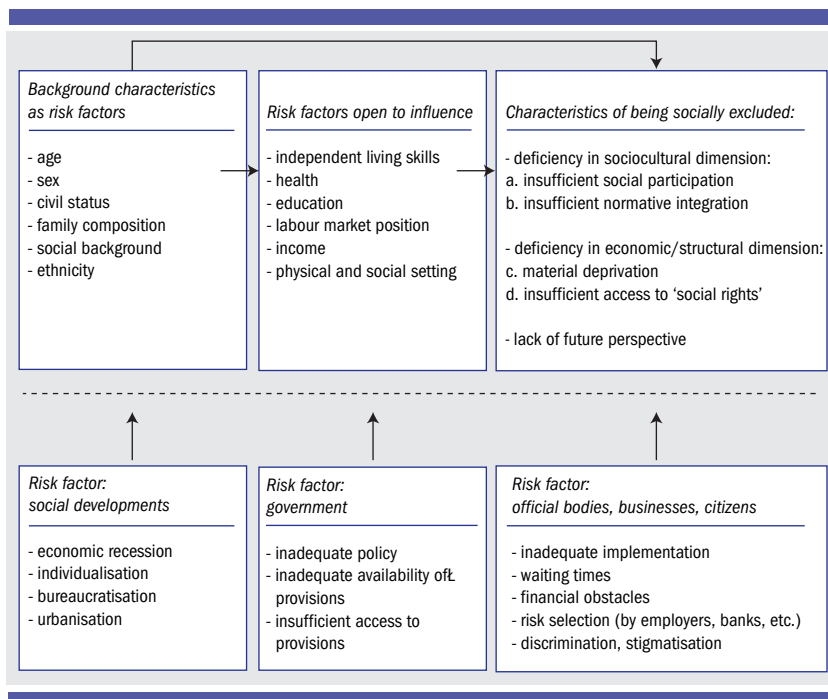
Based on the foregoing, the following principles can be formulated:

- Social exclusion has several dimensions (multidimensionality), which can be reduced to two main dimensions (a socio-cultural and an economic-structural dimension).
- A distinction can be made between characteristics which describe the actual state of social exclusion (status characteristics) and risk factors which increase the chance of social exclusion (process).
- These risk factors operate at different levels: at the micro-level of the individual, at the meso-level of formal and informal organisations and social settings, and at the macro-level of society and government.
- Social exclusion only exists if those affected by it suffer long-term deprivation in several dimensions and there is no prospect of an improvement in the future.

Following these principles and the characteristics of poverty and social exclusion described earlier, SCP has developed a conceptual model in which risk factors and characteristics of social exclusion are outlined, and which shows the relationships between them (see figure 4.11).

The model is based on a one-sided causality relationship: the risk factors are conceived to increase the risk of social exclusion. However, for a number of characteristics the relationship may be a two-way one; for example, being socially excluded may be a consequence of physical or mental handicaps, but can also cause a deterioration in health.

Figure 4.11 Conceptual model: risk factors and characteristics of social exclusion



This model makes clear that social exclusion is not simply a matter of having a low income, for example, but that social exclusion exists only where a low income leads to material deprivation (e.g. problematic debts, insufficient money to meet basic needs). Low income is therefore not a characteristic of social exclusion, but a potential cause of it (risk factor).

Each of the four dimensions of social exclusion identified has been elaborated to produce the following list of characteristics.

- 1 Inadequate social participation: a lack of participation in formal and informal social networks, including leisure activities; inadequate social support; social isolation.
- 2 Insufficient cultural/normative integration: a lack of compliance with core norms and values associated with active social citizenship. This is reflected in a low work ethic, low willingness to become educated, abuse of the social security system or delinquent behaviour; deviating educational views; deviating views on the rights and duties of men and women.
- 3 Material deprivation: shortages regarding basic needs and material goods; 'lifestyle deprivation'; problematic debts; payment arrears (in particular housing costs).
- 4 Inadequate access to government and semi-government provisions ('social rights'): waiting lists and/or financial and other obstacles to health care, education (especially of children), housing, legal aid, social services, debt assistance, employment placement services and social security, but also to commercial services such as banking and insurance.

4.3.6 Collection of new data

SCP has begun a study to map out the extent of social exclusion, the size of the risk groups and the relationship between individual risk factors and social exclusion in accordance with the model presented in figure 4.11, i.e. the blocks of variables above the dotted line. Such a study requires data at individual or household level, whereby the different factors need to be present within the same dataset.⁴ Given the nature of the variables, this means that a new survey is needed. A major problem with such research is that certain groups may be less inclined to take part; people with poor education, benefit claimants, members of ethnic minorities and the residents of deprived areas are less easy to reach via a survey research than others, whereas it is precisely these groups that are most at risk of social exclusion. A second problem is that social exclusion almost by definition affects a relatively limited proportion of the population, making it difficult to observe this phenomenon in a standard representative national sample. SCP therefore decided to collect new data which addresses these problems as far as possible:

- Respondents were selected in residential neighbourhoods that were stratified by status score.⁵ Half the interviews (431) were carried out in 20 districts from the lowest quintile in terms of status score, and half (429) in 30 districts with a status score from the four other quintiles.

- The interviews were carried out verbally in the respondent's home; the interviewer handed the potential respondent a short letter written in several different languages (Dutch, Turkish, Arabic, English) explaining the purpose of the survey and offering the prospect of a reward of EUR 10 for participating in the survey.
- The interviews in disadvantaged neighbourhoods were carried out as far as possible by bilingual interviewers (Turkish/Dutch, Moroccan/Dutch) who had a questionnaire translated into Turkish or Arabic; in addition, all interviewers had a copy of the questionnaire in Dutch and English.
- Care was taken to ensure that the percentage of ethnic minority respondents was representative for the district concerned; the data collection agency was required to interview a predetermined percentage of members of ethnic minorities in each district.

Using this survey method was an attempt to limit as far as possible the non-response among risk groups. 29% of the respondents in districts with a low status score are members of ethnic minorities; the figure in the other districts is 12%. After reweighting by status score of the neighbourhood, the percentage of ethnic minority members in the response group is 16%, divided into 9% non-western ethnic minorities and 7% western ethnic minorities. These percentages correspond reasonably well with the national population statistics, which show that 10% of the population consists of members of non-western ethnic minorities and 9% of members of western ethnic minorities.⁶

4.3.7 Initial findings

The first provisional findings are shown in tables 4.2 to 4.5 inclusive. A number of indicators for social exclusion are presented for each dimension. The score for the total research population is listed in the first column; the other columns show for a number of groups for each indicator whether they are at a significantly greater (or lesser) risk of social exclusion than the group which does not have the risk characteristic in question. A plus sign indicates a greater chance of that feature of social exclusion, while a lesser risk is denoted by a minus sign. The number of plus and minus signs indicates the strength of the correlation.⁷ The following six risk groups are presented in tables: households with an income of less than 105% of the statutory minimum income (i.e. the 'social policy minimum'), unemployed households, members of non-western ethnic minorities, older people (65 years and above), people living in a neighbourhood with a low status score, and people with a low education level. These risk groups will partially overlap; in order to obtain some insight into the independent effect of the risk factors, multivariate analyses need to be performed. There was no opportunity to do this in this first phase of the study; however, a correction was made for the oversampling of households from districts with a low status score.

Dimension 1: Social participation

The first dimension of social exclusion is a lack of social participation. This participation may take place through paid⁸ or unpaid work (designated in table 4.2 as work participation), via informal social contacts with family and friends (informal social participation) or via participation in associations, interest groups or church communities (organised participation).

It can be seen from table 4.2 that roughly a third of the respondents do not perform either paid or unpaid work. It would seem that this can be ascribed entirely to the absence of paid work: the risk factors bear no relation to the performance of unpaid work (voluntary work and informal care). The fact that the risk groups less frequently or never carry out paid work is to be expected, or is even – in the case of unemployed households – the reason that they belong to a risk group. More relevant is the conclusion that the risk groups evidently do not compensate for the lack of paid work by carrying out voluntary work or providing informal care. On the other hand, except for those with a low education level, participation in unpaid work is not markedly lower. The fact that the work participation of members of non-western ethnic minorities is no lower than that of indigenous citizens is somewhat unexpected, but has to do with the fact that the members of ethnic minorities in the response group are relatively young; older people, and particularly those aged over 65, who will by definition work less frequently, are underrepresented among the members of ethnic minorities.

The proportion of people with few or no contacts in the primary social network is limited (6%). The degree of informal social participation is found to correlate with income, labour market position and ethnic origin. Households with an income below the social policy minimum, unemployed households and members of non-western ethnic minorities have relatively few social contacts with family or friends. These three groups also themselves perceive a deficiency in their social contacts much more often: they report relatively frequently that they have (far) fewer contacts than most other people of their age, whereas they would like to have more contacts. Older people aged 65 and above, by contrast, less frequently perceive themselves as having a lack of social contacts.

Most of the risk factors impose constraints on social activities that cost money, such as going to a cinema, theatre or bar: the risk groups go out less than non-risk groups. The exception is living in a neighbourhood with a low status score: this factor is not relevant for these leisure activities. A possible explanation for this relates to the fact that the respondents living in low status neighbourhoods are relatively young. Corrected for the age composition, living in such neighbourhoods does coincide with less goin out.

Most risk groups feel more socially isolated than the corresponding non-risk groups. This difference is seen most strongly in the category with an income below the social policy minimum. With the exception of the over-65s and the unemployed, the risk groups are also more frequently confronted with the situation in which they have no-one, or only one person, with whom they can discuss personal and intimate matters.

The majority of risk factors also influence the degree of organised participation, in the form of membership of associations and organisations. This effect is less pronounced than for informal social participation, however, and the risk factors are found not to adversely affect membership of a church community at all. In fact in the case of members of non-western ethnic minorities and older people, precisely the opposite holds: these groups are considerably more often members of a religious community.

Table 4.2 Dimension 1: Deficiency of social participation (in percent or average score) and relative increase (+) or decrease (-) in the risk of a deficiency of social participation for a number of groups (relative risk based on odds ratios^a)

	total	income below social policy minimum	< 65 years; no workers in household	non-western ethnic minority	living in district with low socio-economic status ^b	≥ 65 years	low education level ^c
N (unweighted)	860	103	179	106	431	193	251
	%						
work participation:							
performs no unpaid work (voluntary work, informal care)	69	0	0	0	0	0	++
performs neither unpaid nor paid work	33	+++	++++	0	0	++++	++
informal social participation:							
maximum 1x per month contact with family and/or friends	6	++	++	++	0	0	0
does not go out ^d	26	++++	+++	++	0	+++	++
perceives deficiency in social contacts ^e	11	++	+	++	0	--	0
has a maximum of one person with whom can discuss personal matters	11	+	0	++	+	0	+
social isolation (ave. score on scale from 1-3; 1 = not isolated, 3 = very isolated)	1.28	1.56**	1.38**	1.37**	1.31*	1.36**	1.37**
organised social participation:							
not a member of association (sport, hobby, music, etc.)	46	++	+	+	+	0	++
not a member of a political or interest group	69	++	+	+	0	0	+
not a member of a church community	67	0	0	--	0	--	0

a A plus sign (+) means an increased risk of social exclusion; a minus sign (-) means a decreased risk; a zero (0) means no significant difference ($p < 0,05$). The number of plus and minus signs indicates the strength of the correlation. See also note 7. No odds ratios can be calculated for scale scores; the degree of significance is indicated for these variables: * at 5%-level, ** at 1%-level.

b Lowest quintile of postcode areas by socio-economic status score.

c No higher than junior secondary vocational education.

d Never goes out to a dance or disco evening, sports event, theatre, concert, pop concert, film, bar.

e Has (far) fewer social contacts than most other people of the same age and would like to have more contacts.

Source: SCP (Survey on Social Exclusion 2003, provisional figures)

All in all, people with a household income below the social policy minimum and unemployed households are found to have a relatively high risk for virtually all indicators of the first dimension of social exclusion. The only aspects where they do not differ from the respective non-risk group are in the performance of unpaid work, membership of a church community and, in the case of the unemployed households, the number of persons with whom one can discuss personal matters. Living in a district with a low status score, by contrast, has a relatively limited influence on social participation. This does not bear out the assumption that risk factors will accumulate in these districts, leading to a heightened risk.

Dimension 2: Cultural, normative integration

While it is easy to see that cultural, normative integration is important in preventing social exclusion, expressing this in practical terms is a good deal more difficult. To what extent is it necessary to endorse a certain pattern of norms and values, what norms and values are relevant, and when is a subculture so diverging from the dominant culture that this leads to (self-)exclusion? These questions are not easy to answer. What can be said is that people should in any event behave in accordance with prevailing laws and formal regulations. This survey therefore contains a number of questions concerned with compliance with legislation. In addition, three values were examined which can generally be seen as important in Dutch society: equality of men and women, endorsing of the employment obligation, and engagement with society. Table 4.3 shows the results.

A small proportion (5%-6%) of the research population agree in certain circumstances with the forms of infringement of the law presented in the questionnaire, while the majority believe that undeclared work is permissible. There is no difference between the risk groups and the non-risk groups in their views on breaking the law. Unemployed households, residents of low-status neighbourhoods and the over-65s, however, agree less often than the non-risk groups with the statement that people with a paid job should be able to earn up to EUR 150 per month extra 'on the side'. Only the over-65s stick to their rather strict opinion when asked about moonlighting by social assistance benefit recipients (as opposed to people already in work). The other risk groups believe to roughly the same extent as the corresponding non-risk groups that moonlighting by social assistance benefit recipients for up to EUR 150 per month is acceptable. This finding corresponds with research conducted in 1995, in which 52% of the respondents felt that extra income from working by social assistance benefit recipients was acceptable and that their benefit should not be cut (Van Oorschot 1996: 78). In the period 1995-2003, views on moonlighting thus appear not to have changed, even though the Dutch government has begun pursuing a much stricter sanctions policy in recent years.

Table 4.3 Dimension 2: Deficiency in normative integration (in percent and average scale scores) and the relative increase (+) or decrease (-) in the risk of deficiency in normative integration for a number of groups (relative risk based on odds ratios^a)

	total	income below social policy minimum	< 65 years; no workers in household	non-western ethnic minority	living in district with low socio-economic status ^b	≥ 65 years	low education level ^c
N (unweighted)	860 %	103	179	106	431	193	251
breaking the law: if a good friend is in court, it is acceptable to give false evidence in order to protect him (agree (completely))	6	0	0	0	0	0	0
breaking the law is OK, as long as you don't get caught (agree (completely))	5	0	0	0	0	0	0
thinks people in paid work should be allowed to earn up to € 150 per month without declaring it	60	0	-	0	-	-	0
thinks people on social assistance should be allowed to earn up to € 150/month without declaring it	53	0	0	0	0	-	0
social engagement: not very interested in what goes on in society	32	0	0	0	+	0	++
not actively involved in the neighbourhood	45	+	0	0	+	0	+
emancipation (ave. score on scale from this 1-5; 1 = not very, 5 = strongly emancipatory)	4.0	3.8**	3.9	3.9	4.0	3.7**	3.8**
work ethic (ave. score on scale from 1-5; 1 = low, 5 = strong ethic)	3.5	3.6	3.6**	3.2**	3.5	3.8**	3.7**

a A plus sign (+) means an increased risk of social exclusion; a minus sign (-) means a decreased risk; a zero (0) means no significant difference ($p < 0,05$). The number of plus and minus signs indicates the strength of the correlation. See also note 7. No odds ratios can be calculated for scale scores; the degree of significance is indicated for these variables: * at 5%-level, ** at 1%-level.

b Lowest quintile of postcode areas by socioeconomic status score.

c No higher than junior secondary vocational education.

Source: SCP (Survey on Social Exclusion 2003, provisional figures)

A sense of citizenship, in the sense of engagement with society as a whole or with the neighbourhood where someone lives, is found to be lacking in a not inconsiderable section of the population: a third say they are not greatly interested in society and 45% are not actively involved in what goes on in their neighbourhood. Most of the risk factors, however, turn out not to have a specific influence on this; only those with an income below the social policy minimum, residents of low-status neighbourhoods and those with a low education level feel less involved than others.

The table also indicates that certain risk groups hold different views in the sense that they are less emancipatory in their thinking. Contrary to expectations, it is members of ethnic minorities and residents of deprived neighbourhoods who are most closely aligned with the average thinking. On the other hand, members of non-western ethnic minorities are the only group with a relatively low work ethic.

Dimension 3: Material deprivation

The belief that people 'by their nature' strive for the best possible income and material possessions (the *homo economicus*) is central to most Western societies. This not only enables people to meet their basic needs, but also to acquire social status, while at the same time increasing the opportunities for participation in social activities. Severe material deprivation means that people do not have these opportunities and are unable to achieve a standard of living that is considered desirable in Dutch society. As a result, it can be regarded as a characteristic of social exclusion.

Table 4.4 presents a number of results concerning material deprivation. It shows that around 8% of households are in a precarious financial situation: 8% have at least one case of payment arrears, 9% are constantly worried about their financial situation and 7% have great difficulty making ends meet. Payment arrears relate most often to a personal loan or continuous credit (4% of households have such payment arrears). However, rent arrears are also relatively common, affecting 4% of tenants.⁹

By asking whether people find it much more difficult to make ends meet now than two years ago, an attempt was made to obtain some insight into the (assumed) influence of the introduction of the euro on household purchasing power. In the public perception, the effect of this introduction is negative: 15% say they find it much more difficult to make ends meet now than two years ago, while for another 34% it is more difficult. On the other hand, only 10% find it (much) easier to make ends meet. With the exception of the over-65s and those with a low education level, all risk groups state more often than the non-risk groups that their financial situation is now worse. This applies particularly for the group with an income of less than 105% of the social policy minimum, and for unemployed households. Despite these figures, there is some doubt as to whether this can genuinely be regarded as a 'euro effect'; in the United Kingdom, where the euro was not introduced, there has also been a sharp increase in the number of problematic debts since 2001.

7% and 3% of respondents, respectively, say they have insufficient money for basic needs such as 'having a hot meal every day' and 'being able to heat the house properly'. A larger proportion (16%-19%) say they have insufficient money for – less essential – needs such as holidays, replacing worn-out furniture and buying new clothes.

Some people lack the means for things which provide contact with the outside world and which can counter social exclusion: 9% of households are not members of a sports or other association for financial reasons, 15% do not take a newspaper regularly and 8% cannot afford an Internet connection.

These percentages are higher among those with an income below the social policy minimum, members of non-western ethnic minorities and – to a somewhat lesser extent – unemployed households and residents of neighbourhoods with a low status score. A low education level is also a risk factor, but its effect is more limited and does not by any means emerge in all characteristics of material deprivation. The over-65s do not appear more deprived than the group below the age of 65 for any characteristic; in fact, on a large number of indicators they actually score better.

Another aspect that is important in connection with material deprivation is the ability to borrow money in the event of serious financial difficulties; the position becomes even more pressing if people have no access to sources of financial help. In this survey a distinction was made between the ability to borrow money from a bank, family members and others (friends, neighbours, colleagues, employer). Almost one in five households say they could definitely not borrow from a bank, while around one in ten think they could definitely not turn to family members. Borrowing from friends, neighbours or colleagues is definitely not an option for almost half the households interviewed.

All risk groups, but especially those on the lowest incomes and unemployed households, state more frequently than the non-risk groups that they could definitely not borrow from a bank. The over-65s are more likely to consider borrowing from family members. The only risk group who feel they could definitely not turn to family members if they were in financial difficulties are non-western ethnic minorities. It may be that their families often are themselves in poor financial circumstances or live abroad.

The number of households which see no possibility whatsoever of borrowing money from any source in an emergency is small, at 2% (not in table). Combined with the group who think they could 'perhaps' borrow money from somewhere (22%), this means that almost a quarter of households are not certain that they could solve their financial difficulties by borrowing money. All risk groups have an increased chance of falling into this category.

Table 4.4 Dimension 3: Material deprivation (in percent) and the relative increase (+) or decrease (-) in the risk of material deprivation for a number of groups (relative risk based on odds ratios^a)

	total	income below social policy minimum	< 65 years; no workers in household	non-western ethnic minority	living in district with low socioeconomic status ^b	≥ 65 years	low education level ^c
N (unweighted)	860	103	179	106	431	193	251
	%						
difficulties making ends meet:							
at least one case of payment arrears ^d	8	++	0	+++	++	----	0
continual worries about financial situation of household	9	+++	++	++	+	----	0
has great difficulty making ends meet on household income	7	++++	+++	++	++	0	+
has much more difficulty making ends meet than two years ago	15	+++	++	++	+	--	0
has insufficient money:							
- for a hot meal every day ^e	7	++++	+++	+++	++	0	0
- for a week's holiday	19	++++	++++	+++	++	0	++
- to heat the house properly	3	+++	0	++++	++++	--	0
- to replace worn-out furniture	18	++++	+++	+++	++	-	+
- to buy new clothes regularly for self or partner	16	++++	+++	+++	++	0	+
- if children < 16 yrs: to buy new clothes regularly for the children	19	++++	++++	+++	0	n/a	+
financial reason for non-participation:							
because of cost, not a member of an association, sports club, etc.	9	++++	+++	+++	++	--	+
because of cost, no subscription to a newspaper	15	+++	+++	+	+	0	+
because of cost, no Internet connection	8	++++	+++	+++	++	---	+
financial support:							
could definitely not borrow from own or other bank	17	++++	+++	+	+	+	+
could definitely not borrow from family	9	0	0	+++	0	----	0
could definitely not borrow from friends, neighbours, colleagues	48	0	0	+	0	++	+
is not certain of being able to borrow from anywhere	23	+++	+++	++	+	+	+

a A plus sign (+) means an increased risk of social exclusion; a minus sign (-) means a decreased risk; a zero (0) means no significant difference ($p < 0,05$). The number of plus and minus signs indicates the strength of the correlation. See also note 7.

b Lowest quintile of postcode areas by socioeconomic status score.

c No higher than junior secondary vocational education.

d Has payment arrears on repayment of: personal loan/continuous credit (4%); loan from friends or family (2%); rent (2%); mortgage (0%); electricity, gas or water bills (2%); state/private health insurance (1%); other insurances (1%); children's school fees (1%); telephone bill (2%); taxes (2%); other payment arrears (2%).

e A meal with meat, fish, chicken or vegetarian.

Source: SCP (Survey on Social Exclusion 2003, provisional figures)

Dimension 4: Access to provisions

The central principle underlying the EU's attempts to combat social exclusion is a commitment to '... equal access to labour market, to education, to health care, to the judicial system, to rights and to decision-making and participation'. These are rights of social citizenship: regardless of income or origin, every citizen has a right to things such as health care, education and adequate housing. In practice, however, it is difficult to make clear when these rights are being infringed. Table 4.5 presents a number of situations which can be assumed to indicate insufficient or inadequate access to provisions.

Access to education in particular turns out to be perceived as too restricted: more than 40% would rather have had more education, while for 35% of respondents their financial situation was a key reason that this did not happen. Four of the risk groups, and especially members of ethnic minorities, report relatively frequently that they would have liked more education, but they do not cite financial reasons any more often than the non-risk groups. This means that their financial situation presented no additional barrier to access for them. When interpreting these findings it should be borne in mind that the figures relate to the situation in the (sometimes distant) past. If we look at parents' expectations for their children living at home, we see that more than a quarter expect their children not to achieve the desired education level.¹⁰ Apart from ethnic origin, the risk factors have no significant influence on this expectation. In other words, the risk groups regard the chance that their children will not attain the desired level as just as great as the non-risk groups.

In a similar way, the risk factors do not appear to have a very clear influence on access to health care. Although 16% of households report that during the last year at least one family member had to wait longer than four weeks for care or treatment, this percentage is not higher for any of the risk groups. Older people in fact state rather less frequently that they have been on a waiting list for more than four weeks.

Virtually everyone in the Netherlands is insured for medical expenses: only 1% of households have at least one family member who is uninsured. Despite this low percentage, this should still be seen as a serious risk factor given the major consequences of not being insured. However, there is no indication that, for instance, the low incomes or members of a non-western minority group run an additional risk in this respect. Residents of low-status neighbourhoods are found to have had problems with their health insurer somewhat more often than residents of better districts.

As regards housing, people are more frequently dissatisfied with their residential setting (in 19% of cases) than with the home itself (8%). The fact that 13% of respondents would definitely like to move house is therefore related mainly to their residential setting. These percentages are higher among non-western ethnic minorities and residents of low-status neighbourhoods, and relatively lower among the over-65s. 14% of tenants experience problems with their landlord. The investigated risk factors play virtually no role here.

Safety can be seen as an important civil right, and this aspect will have a major influence on perceived residential quality. The fact that a third of the research population feel unsafe in their residential neighbourhood in the evenings is therefore a cause for concern. This feeling is stronger among residents of low-status neighbourhoods and households whose incomes are below the social policy minimum.

Insufficient access to adequate social services was measured in this study by asking whether people had received poor treatment from an official body, whether there were long waiting times, and whether they had had problems with an authority with which they had been in contact.¹¹ Respondents were also asked whether they had been in a situation where their benefit had been wrongly – in the opinion of the respondent – stopped and/or an application for benefit had been wrongly refused. Although stopping and refusing benefit may be in line with legislation and regulations it could, if it is perceived as wrong, lead to a feeling of exclusion for the citizen concerned.

Around 15% of respondents state that they have been badly treated by at least one of the bodies referred to, that they had to wait a long time before being seen and that they had had problems with that organisation within the last 12 months. Residents of deprived neighbourhoods, unemployed households and those with an income below the social policy minimum have a higher chance of these negative experiences with official bodies. By contrast, members of non-western ethnic minorities have no more problems with official bodies than indigenous citizens and members of western ethnic minorities. The over-65s have fewer negative experiences; this can be largely explained by the fact that they have fewer contacts with these bodies.

Of the total research population, 4% have had their benefit wrongly – in their view – stopped or an application for benefit refused. With the exception of age, ethnic background and education level, the risk factors increase the chance of this happening. This applies particularly for unemployed households, which is to be expected, given that a relatively large number of them are on benefit.

Insufficient access to commercial services can also be seen as a characteristic of social exclusion, especially in a society where this branch of service-provision has increased so much in importance. In the preceding two years, 7% of the households interviewed had had at least one of the following refused: a request to open a bank account, placing an order with a mail-order company, an insurance claim, and an application for a personal loan or continuous credit. Residents of low-status neighbourhoods, members of non-western ethnic minorities and those with an income below the social policy minimum have been more affected by this than the corresponding non-risk groups.

Table 4.5 Dimension 4: Insufficient access to 'rights of social citizenship' (in percent) and the relative increase (+) or decrease (-) in the risk of insufficient access for a number of groups (relative risk based on odds ratios^a)

	total	income below social policy minimum	< 65 years; no workers in household	non-western ethnic minority	living in district with low socio-economic status ^b	≥ 65 years	low education level ^c
N (unweighted)	860	103	179	106	431	193	251
	%						
insufficient access to education:							
would have liked more education if yes:	42	0	0	++	+	+	+
didn't follow more education for financial reasons	35	0	0	0	0	0	0
if children living at home: children will not (or did not) achieve desired education level	29	0	0	++	0	n/a	0
insufficient access to health care (at least one member of household):							
had to wait > 4 weeks for care, treatment	16	0	0	0	0	-	0
no health insurance	1	0	0	0	0	0	0
had problems with health insurer	8	0	0	0	+	0	0
insufficient access to adequate housing:							
dissatisfied with home	8	0	0	+++	++	--	--
dissatisfied with residential setting	19	+	0	+	++	-	0
feels unsafe in neighbourhood in evening	33	+	0	0	++	0	0
would definitely like to move	13	0	0	+	+	--	0
if tenant, has sometimes had problems with landlord	14	0	0	0	0	0	0
insufficient access to social provisions:							
(very) badly treated by at least one official body	16	++	+	0	+	----	0
had to wait a (very) long time with at least one official body	14	++	+	0	+	--	0
has had problems in the last 12 months with at least one official body	15	++	+	0	+	-	0
benefit wrongly - according to resp. - refused/stopped	4	++	+++	0	++	0	0
insufficient access to commercial services:							
refused by bank, credit institution, insurance company or mail order company ^d	7	++	0	+	++	0	--

a A plus sign (+) means an increased risk of social exclusion; a minus sign (-) means a decreased risk; a zero (0) means no significant difference ($p < 0,05$). The number of plus and minus signs indicates the strength of the correlation. See also note 7.

b Lowest quintile of postcode areas by socioeconomic status score.

c No higher than junior secondary vocational education.

d This concerned at least one of the following in the preceding two years: bank refused to allow respondent (and/or partner) to open a bank account (2.2%); mail-order company refused to accept respondent (and/or partner) as a customer (2.3%); insurance company refused to pay a claim of racket (1.1%); application for personal loan or continuous credit was refused (2.3%).

Source: SCP (Survey on Social Exclusion 2003, provisional figures)

4.4 Conclusions

This chapter consists of two parts, each of which provides more insight into the phenomenon of social exclusion from a different angle. The first part of the chapter looks at the common indicators for poverty and social exclusion as agreed by the member states of the European Union. From the figures presented the Netherlands appears to occupy a relatively favourable position; according to various criteria, in around 2001 the Netherlands was among the member states with the lowest relative poverty rates and lowest long-term unemployment. Income inequality was also relatively low. The position of the Netherlands was somewhat less favourable as regards the education level and life expectancy of the population; on these indicators, it occupied a midway position in the European Union.

The second part of the chapter looks in more detail at the concept of social exclusion. It draws a distinction between factors which influence the risk of social exclusion and the actual characteristics of social exclusion. Four dimensions of social exclusion are identified: insufficient social participation, insufficient normative integration, material deprivation and insufficient access to provisions to which every citizen has a right. Based on a recent survey, a number of provisional findings are presented for each of these dimensions. It can be concluded that a limited proportion of the population (5-10%) are affected by real social exclusion in the sense that they are highly socially isolated, in a very difficult financial situation or do not obey prevailing legislation. The identified risk factors (income below the social policy minimum, unemployed household, member of a non-western ethnic minority, resident of low-status neighbourhoods, aged 65 or older, and low education level) mainly influence material deprivation and, to a somewhat lesser extent, social participation. With regard to some of the characteristics of normative integration and access to provisions, there is relatively little difference between risk and non-risk groups.

Notes

- 1 The primary indicator for the self-perceived health of income groups is left out of consideration here. Eurostat is currently conducting research into the feasibility and suitability of this indicator.
The population to which the European poverty figures in this chapter refer differs somewhat from the population elsewhere in the *Poverty Monitor*. Student households and incomplete annual incomes are not left out of consideration in the international figures. This has only a minor influence on the estimates for the Netherlands. Excluding student households and incomplete annual incomes, the proportion of people in relative poverty – regardless of where the threshold is drawn – would be a few tenths of percentage points lower in the Netherlands.
- 2 The following country designations are used in this and the following figures and tables: B (Belgium), DK (Denmark), D (Germany), EL (Greece), E (Spain), F (France), IRL (Ireland), I (Italy), L (Luxembourg), NL (Netherlands), A (Austria), P (Portugal), FIN (Finland), S (Sweden), UK (United Kingdom), EU15 (average of 15 EU member states).
- 3 At European level the definition of unemployment as formulated by the International Labour Office (ILO) is used. This means that someone who performs paid work for at least one hour per week is not regarded as unemployed. Statistic Netherlands (CBS) generally takes paid work for at least twelve hours per week as a basis.
- 4 The risk factors at meso and macro-level (in figure 4.11 these are the variable blocks below the dotted line) and their influence on social exclusion are left out of consideration in the survey.
- 5 The status score is based on the percentages of members of ethnic minorities, people with a low education level and low income in a given postcode area.
- 6 These percentages relate to all age groups. As the percentage of young people among non-western ethnic minorities is relatively high, the percentage among people who run an independent household (such as in the research population) will be somewhat lower than 10.
- 7 The number of plus and minus signs is based on the odds ratio (if significant). An odds ratio greater than 1 indicates that the risk group (e.g. income below the social policy minimum) has a greater risk of this exclusion characteristic than the non-risk group (income higher than the social policy minimum). An odds ratio of between 1 and 2 is given one plus sign; two plus signs are given for an odds ratio of between 2 and 3; an odds ratio of between 3 and 5 acquires three plus signs, and an odds ratio of more than 5 is given four plus signs. Minus signs are given if the odds ratio is less than 1: the risk group then has a smaller chance of the characteristic concerned than the non-risk group. An odds ratio of between 0.5 and 1 is given one minus sign; an odds ratio of between 0.33 and 0.5 is given two minus signs; an odds ratio of between 0.2 and 0.33 is given three minus signs; and an odds ratio smaller than 0.2 is given four minus signs.
- 8 Participation in paid work is seen in the conceptual model as an independent variable which influences the chance of social exclusion, in this case operationalised as a lack of social participation. Although not entirely in line with

the model, for practical reasons, this characteristic is included in the dependent variable, as part of the indicator for the absence of work (paid or unpaid) participation.

- 9 Below table 4.4 it is stated that 2% of the respondents are in arrears with rent payments. However, owner-occupier households are also included in this percentage. If only tenants are considered, the figure rises to 4%.
- 10 For almost half the parents, it makes no difference what education level their children attain, and more than a quarter are certain that they will attain the desired level. Of those who mention a desired level, more than half cite university or higher professional level. Only very few cite junior secondary vocational or intermediate pre-vocational level.
- 11 These questions were asked about each of the following bodies: municipal social services (responsible for social assistance benefit) workers insurance benefit agencies (UWV, responsible for unemployment and disability benefits); Centres for Work and Income/employment agencies; reintegration agencies; social work; regional institutes for outpatient mental health care (RIAGG), youth welfare agencies, Child Protection Board; legal assistance agencies; police; courts/justice agencies; and specifically for ethnic minorities: immigration authorities, Asylum-seekers Reception Centres, integration course centres.

5 Non-western ethnic minorities and poverty*

5.1 Introduction

In the research into poverty in the Netherlands non-western ethnic minorities receive particular attention. One important reason for this is that many non-western ethnic minority households find themselves in a deprived social position and, as will be seen in this chapter, are at the bottom end of the income distribution. At the same time the vast majority of the Dutch studies into the deprivation of minorities concentrate on their position in the labour market (unemployment, low job levels) and on the extent to which they are dependent on benefits, with Roodenburg et al. (2003) referring to the fact that members of ethnic minorities in the Netherlands appear to be worse off, in relative terms, than in other European countries. The deprivation of minorities is rarely considered from the perspective of income. In the light of this, research into the share of non-western households on a low income or with an income below the social policy threshold¹ is a valuable addition to the insight into the position of minorities in the Netherlands.

Partly because of the scant attention paid to the income position of non-western ethnic minorities in earlier research, this chapter begins with a discussion of the income distribution and the average household income of these groups (§ 5.2). Next, it is made clear which share of the non-western ethnic minority households are on a low income or live below or around the statutory minimum income, distinguished by ethnic group and background characteristics (§ 5.3). Section 5.4 looks at how many poor households are non-western ethnic minority households and how poverty among members of ethnic minorities has developed over the past few years.

Non-western ethnic minority households on low income are on the fringes of society as far as their economic structural position is concerned. Section 5.5 examines whether this means that these households are disassociated from the mainstream of society in other areas. This concerns the questions whether poor non-western ethnic minority households have little social contact with the native Dutch population, are more inclined to hold traditional values, and have a less favourable perception of the attitudes of Dutch society towards minorities than non-poor ethnic minority households.

* This chapter is based on a text from the *Poverty Monitor 2003*, written by J.M. Dagevos (SCP). The data from the R10 were provided by P.C.J.M. Ament and H. Lautenbach (CBS).

Sections 5.2 to 5.4 are based on data from the Regional Income Survey 2000 (RIO), the information presented in section 5.5 is drawn from a 2002 survey on the social position and amenities utilisation of ethnic minorities (SPVA). The RIO supplies information on both the indigenous population and non-western ethnic minorities. The latter can be identified as Turks, Moroccans, Surinamese and Antilleans/Arubans.² In addition there are the 'other' non-western ethnic minorities, a group consisting largely of admitted asylum-seekers. The SPVA was conducted among Turks, Moroccans, Surinamese and Antilleans. Although strictly speaking not entirely accurate, the terms non-western ethnic minorities and minorities are used synonymously in this chapter.³

Insert 5.1 Ethnic minorities

According to the definition used by Statistics Netherlands (CBS), a member of an ethnic minority is a person living in the Netherlands at least one of whose parents was born abroad. Ethnic minorities are distinguished by country of origin, with the main division being into western and non-western ethnic minorities. Ethnic minorities originating from Turkey, Africa, Asia or Latin America, with the exception of people from Japan and Indonesia, are classified as non-western ethnic minorities. The remainder are counted as western ethnic minorities. A distinction is also made between first and second-generation ethnic minorities, depending on whether the person concerned was born abroad or in the Netherlands.

A household is classed as ethnic minority if the breadwinner of the household is a member of an ethnic minority.

Information on the country of origin is taken from the Municipal Personal Records Database.

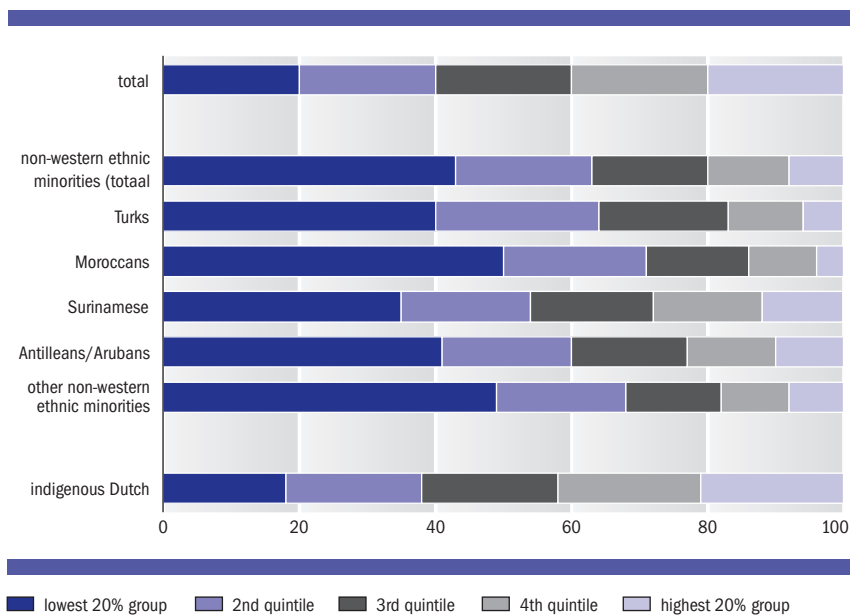
5.2 Divergent income distribution

In order to compare the income distribution of ethnic minorities and the indigenous population, all households are ranked according to the level of standardised income and distributed across five similar groups. Calculated across the whole of the Dutch population, each of the five income groups then contains a fifth of the households. Non-western ethnic minority households show a completely different distribution. The share of households in the lowest income group is roughly twice as big (43%) as it is among the total population. In the top income group there are, as a result, few non-western ethnic minority households: 8% in the highest income quintile.

There are considerable differences between the minority groups. The Moroccan group scores least favourably: of the Moroccan households, half are in the lowest income class and few are at the top of the income distribution. The income position of Turks is rather similar to Moroccans, but because they are represented less in the lowest income group it is more favourable. The ‘other’ non-western ethnic minority households, half of whom lie in the lowest quintile, are in a similar poor position to Moroccans. At the same time, the share of ‘other’ non-western ethnic minority households in the top income group is markedly greater than it is among Moroccans and Turks.

The Antillean group presents a polarised picture. The share of Antillean households at both the bottom and top ends of income distribution is relatively large. This picture reflects the internal heterogeneity within the Antillean group. Antilleans who have been in the Netherlands for quite some time, as well as the second generation, enjoy a mainly favourable social position. Their level of education is relatively high, unemployment levels are low and many of them are employed in mid and high-level occupations. On the other hand, there are those Antilleans who have moved to the Netherlands in recent years; they are mainly poorly educated, often speak no Dutch, their labour market position is usually weak and their dependence on benefits, particularly social assistance, is very high.

Figure 5.1 Income distribution of private households, by ethnic group, 2000



Source: CBS (Regional Income Panel 2000) SCP treatment

Of the minority groups the Surinamese fare the best, comparatively speaking. Compared with the indigenous population, however, they are still at a considerable disadvantage: 35% of Surinamese households are in the bottom income quintile and 11% in the top.

The various positions of the minority groups in the income distribution can be attributed to differences in labour market position. Thus within the minority groups unemployment is highest among the ‘other’ non-western ethnic minorities. The Moroccan group also numbers many unemployed and people on benefit. Another characteristic of the ‘other’ non-western ethnic minorities and the Moroccans is that those who do work are mainly to be found at the bottom of the occupational ladder. Turks, Antilleans and Surinamese do better on each of the aspects cited, and this is reflected in the distribution of income. The divergent labour market position is also evidenced by the average standardised household income⁴ (see table 5.1). Moroccan households have the lowest standardised income, followed by ‘other’ non-western ethnic minority, Turkish, Antillean and Surinamese households. Compared with indigenous households the average standardised income among non-western households, on an annualised basis, is more than EUR 4,000 less.

Table 5.1 Average standardised household income by ethnic group, 2000 (x € 1,000)

non-western ethnic minorities	14.1
of whom:	
Turks	13.9
Moroccans	12.9
Surinamese	15.5
Antilleans/Arubans	14.6
other non-western ethnic minorities	13.6
indigenous population	18.5
total	18.2

Source: CBS (Regional Income Survey 2000) SCP treatment

5.3 Poverty among non-western ethnic minorities

A third of non-western ethnic minority households have an income below the low-income threshold and according to this measure find themselves in poverty (table 5.2). This share is much higher than among indigenous households, just under 11% of which had an income below the low-income threshold in 2000.

Poverty is most common among ‘other’ non-western ethnic minority households (40%), closely followed by Moroccan households (38%). Antillean (32%) and Turkish (30%) households occupy the middle order among the minority groups. Surinamese households are least likely to be on a low income (27%). However, the position of the Surinamese can scarcely be described as favourable; the share on a low income is considerably higher than in native indigenous households (11%).

There is also a much greater prevalence of long-term poverty among non-western ethnic minorities. 14% of non-western ethnic minority households have been on a low income for at least four years, compared with 5% of indigenous households. What is notable is the comparatively small share of Antilleans who have been on a low income long-term. It is very much the question whether this should be regarded as a positive sign, however. It is more likely that it has to do with the influx of mainly deprived Antilleans to the Netherlands over the past few years; many of them have ended up in the low-income group, and as a result the number of ‘new poor’ amongst Antilleans is relatively large. Something similar also holds for the ‘other’ non-western ethnic minorities, where the share of households on long-term low income is also comparatively small. As with the Antilleans this is due to the increase in people on low income in the past few years, which in turn has been created by the influx of large numbers of newcomers in a generally poor social position.

Of the non-western ethnic minority households, 24% have an income below or around the statutory minimum income; in indigenous households the figure is 8%. The ratio between the indigenous population and non-western ethnic minorities is therefore the same at the social policy minimum as it is at the low-income threshold: once again the latter find themselves in poverty three times as often as the native Dutch. The ranking among the ethnic minority groups also remains the same: the position of ‘other’ non-western ethnic minority, Moroccan and Antillean households is the worst, followed by Turkish and Surinamese households. Even more so than at the low-income threshold, the ‘other’ non-western ethnic minority households stand out in a negative sense. It can be deduced from this that many of them are at the very bottom of the income distribution.

Table 5.2 Share of private households on (long-term) low income and income below or around the statutory minimum income, by ethnic group, 2000 (in percent)

	low income	long-term low income	income below or around statutory minimum
non-western ethnic minorities	33	14	24
of whom:			
Turks	30	14	21
Moroccans	38	17	25
Surinamese	27	13	21
Antilleans/Arubans	32	10	24
other non-western ethnic minorities	40	14	29
indigenous population	11	5	8
total	13	6	9

Source: CBS (Regional Income Survey 2000) SCP treatment

Poverty among ethnic minorities on benefits and pensions

The fact that non-active minorities who are claiming benefits or are retired often have a low income or an income below the social minimum does not really come as a surprise. What stands out in particular are the enormous differences between them and members of the indigenous population with the same characteristics (see table 5.3). Thus, for example, no less than 71% of non-active ethnic minority households are found to be on a low income, whilst among out-of-work native Dutch households the figure is 21%. Of the retired minorities 53% are in the low-income group, compared with 14% for the indigenous population. And of those ethnic minorities on benefit 74% are poor, compared with 45% of indigenous benefit claimants.

What these data show is that among minorities and the indigenous population low incomes are concentrated in the same categories – the non-active, benefit claimants and pensioners – but that within these categories there is more poverty among the minorities. This has everything to do with the social position of minorities (see e.g. Dagevos et al. 2003; CBS 2002). Without claiming to be exhaustive, the following can be said on the subject. Ethnic minority families are more often dependent on one income than are indigenous families. Among Turks and Moroccans this is fundamentally due to the low employment rate among women, whilst among Surinamese and Antilleans the lack of a partner – one parent families – is often the cause. The dependence on one income means a greater risk of low income.

Another reason that minorities in the categories distinguished here are on low income more often than members of the indigenous population has to do with their unfavourable position in the labour market; unemployment among minorities is substantially higher than among the native population. Working minorities – Turks, Moroccans and refugees in particular – predominantly have lower grade jobs that are less well paid. This also has consequences if a person ceases work: the level of benefit is often based on the most recently earned wage.

The fact that considerably more retired members of ethnic minorities tend to be poor than native Dutch pensioners, is linked to the fact that because of their low-paid jobs and long-term unemployment, they have built up a low supplementary pension and, because many members of minorities have not yet lived in the Netherlands for forty years, they receive a less than full state pension. This can be topped up by social assistance benefit, but not all the elderly apply for this (Dagevos 2001a).

The big difference in income between ethnic minority and indigenous benefit claimants is partly linked to differences in the nature and level of the benefit. The differences in state and supplementary pensions just mentioned are examples of this. Furthermore, in particular among the Surinamese and Antilleans there tend to be more people on social assistance benefit than among the indigenous population, while a very large proportion of Turks and Moroccans are in receipt of disability benefit. Because they were generally employed in low-grade jobs with low pay, this benefit tends not to be high.

The differences in social position are also a significant cause of the differences in poverty between the different household types and age categories (see table 5.3). A clear example is multiple-person households. There are more multiple-person ethnic minority households on low incomes than indigenous multiple-person households. This has to do partly with the fact that, as pointed out earlier, there are many one-parent families among the Surinamese and Antilleans. Many of these families are on social assistance benefit or work in (part-time) low-paid jobs. Among the indigenous population one-parent families make up a smaller share of all households.

Finally, it appears that despite the fact that minorities in work are on a low income considerably less often than the non-active, a considerable proportion belong to the 'working poor'. Of the minorities who work, 15% earn no more than a wage below the low income threshold. This (once again) indicates a strong representation in low-paid jobs and/or jobs with a limited number of working hours.

Table 5.3 Share of private households on (long-term) low income and income below or around the statutory minimum by ethnic group and background characteristics, 2000 (in percent)

	non-western ethnic minorities			native population		
	low income	long-term low income	below/ around statutory minimum	low income	long-term low income	below/ around statutory minimum
all households	33	14	24	11	5	8
<i>socio-economic category of the main breadwinner:</i>						
active	15	4	8	5	1	3
non-active	71	34	56	21	13	17
receiving pension	53	31	48	14	9	11
receiving benefit	74	34	57	45	24	33
<i>composition of household:</i>						
single-person household	38	14	29	20	11	15
multiple-person household						
without children	19	7	18	4	1	4
with children	36	16	24	10	3	6
<i>age of the main breadwinner:</i>						
< 45 years	31	11	21	10	3	7
45 to 65 years	35	18	26	9	4	7
≥ 65 years	62	39	61	14	9	12

Source: CBS (Regional Income Survey 2000) SCP treatment

5.4 Developments in poverty among minorities

Developments in poverty among ethnic minority households are looked at in two ways in this section. The first part examines what share of the minorities are on a low income and what changes have arisen ('how many members of ethnic minorities are poor?'). The focus then shifts to how many of the poor households are ethnic minority households. These shares are then compared over time ('how many of the poor are members of ethnic minorities?'). The first method of comparison is shown in the left half of table 5.4, the second in the right half.

Despite the sombre tone of the previous sections, there is evidence that the share of non-western ethnic minority households on a low income fell sharply in the years 1996-2000. In 1996 43% of non-western ethnic minority households were on a low income; by 2000 this had fallen by 10 percentage points. The fall is apparent in all ethnic groups and in particular among Turks and Moroccans. The improved socio-economic position of minority groups in this period is at the root of the drop in the number of households on a low income. Not only did unemployment fall between 1996 and 2000 and the share of those working rise considerably, but the share of working minorities with a job at mid and higher level also increased (see Dagevos 2001b; Dagevos et al. 2003).

Table 5.4 Share of ethnic minority households on a low income and share of ethnic minority households in the group of households on low income, 1996-2000 (in percent)

	share of households on low income			ethnic composition households on low income			
	1996	2000	change 1996-2000	1996	2000	p ^a 1996	p ^a 2000
non-western ethnic minorities	43	33	-10	15.5	18.7	2.7	2.6
of whom:							
Turks	41	30	-11	3.1	3.4	2.6	2.3
Moroccans	49	38	-11	2.8	3.5	3.1	3.0
Surinamese	36	27	-9	3.9	4.0	2.3	2.1
Antilleans/Arubans	40	32	-8	1.2	1.6	2.5	2.5
other non-western ethnic minorities	50	40	-10	4.5	6.2	3.2	3.1
native Dutch	14	11	-3	74.8	71.0	0.9	0.8
total	16	13	-3	100	100	1	1

a Proportionality (P): share of group in poverty / share of group in the population.

Source: CBS (Regional Income Survey 1996, 2000) SCP treatment

As stated, the developments can also be looked at in another way, i.e. by establishing which part of the low-income group consists of non-western ethnic minority households, and by comparing this share over time. The share of ethnic minorities among poor households can be compared with the share of ethnic minority households in the population. This gives a measure that expresses the degree of proportionality. A score of 1 means that the share of a group among those on a low income is equal to their share in the population. A score higher than 1 means that the share of an ethnic minority group in the households on a low income is higher than its share in the population.

In the period 1996-2000 the share of non-western ethnic minority households on a low income grew. Whereas in 1996 15.5% of poor households were those of non-western ethnic minorities, by 2000 this had risen to almost 19%. In that sense it could be said that there was an 'ethnicising' of poverty. This increase is the result of the growth in the number of non-western ethnic minority households in the population. The degree of proportionality did not actually increase during this time – on the contrary, there was even a slight drop, from 2.7 in 1996 to 2.6 in 2000. Among the indigenous population, there was a fall as well.

There are differences between the various ethnic groups. Among Turks, Surinamese, Moroccans and 'other' non-western groups the overrepresentation in the low-income groups has fallen, albeit only slightly among Moroccans and 'other' non-western ethnic minorities. Among Antilleans, however, the degree of proportionality has stabilised: measured by their share in the population there are as many Antillean households on a low income in 2000 as there were in 1996. This is linked to the influx of low-skilled Antilleans, many of whom do not fit in with the Dutch education and employment systems. As a result, the share of households on a low income among Antilleans has fallen less rapidly than in other groups.

5.5 *Poverty, contacts, cultural orientations and perception of acceptance*

As shown in the previous sections, a large share of non-western ethnic minority households are on a low income. Here, the focus is on the issue of whether deprivation on a socio-economic level also implies that ethnic minorities lag behind the mainstream native population in other areas. This includes the question of whether, in their free time, poor ethnic minority households mix with native Dutch people less frequently than ethnic minority households on a higher income, and mainly move within their own circles. Also of interest is the extent to which belonging to the low income group coincides with holding certain views that clearly distinguish these households from those on higher incomes. This is considered on the basis of the attachment to modern values, which up to a certain point are anchored in western societies, such as the role of men and women, individualisation and secularisation. This section also examines the extent to which minorities on a low income have unfavourable views regarding the acceptance and treatment of ethnic minorities in the Netherlands.

If it is the case that ethnic minorities on a low income clearly spend less time mixing with native Dutch people than those ethnic minorities on higher incomes, reject central values and perceive the climate in the Netherlands as hostile towards minorities, then not only are they at a disadvantage in terms of income, but they are also subject to social, cultural and emotional disassociation. In that case, the conclusion can legitimately be drawn that minorities on a low income occupy a marginal position in society.

It is important to emphasise that no judgement is made here about causality (does poverty lead to networks that are biased in composition, to traditional views and to perceiving the opportunities of minorities to be unequal, or is it precisely the other way round?). Only panel data, which are not available, could provide a more definitive answer to these questions. In this section attention is focused solely on the extent to which specified topics are correlated with a low income.

The aim is therefore to examine the extent to which ethnic minority households below the low-income threshold differ from ethnic minority households on higher incomes in the following areas:

- social disassociation: mixing with native Dutch people in their free time;
- modern views;
- social climate: views on the treatment and social opportunities of minorities.

Based on information from the 2002 SPVA survey on the social position and amenities utilisation of ethnic minorities for each of these topics, a measure has been constructed through scale analysis. For the measurement of social disassociation, information is available on the frequency with which minorities have native Dutch people to visit and whether their circle of friends consists predominantly of members of their own group, of members of the indigenous population, or of a combination of the two. Views on the desirability of contacts with native Dutch people are also included in the social disassociation scale.

The scale that measures the modernity of views comprises a large number of items, including questions relating to the meaning of family, the autonomy of children, emancipation of women and the importance of religion. Examples of such items are: 'If you have any worries, your family should stand by you', 'Children are better off living at home until they get married', 'It is best if the husband is responsible for money matters' and 'It is a pity that religion is becoming less and less important in daily life'.

The social climate towards minorities is measured by ten items, covered by statements such as: 'The Netherlands is quite hostile to foreigners' and 'In the Netherlands your rights as a foreigner are respected'.

All three scales constructed range from 1 to 5, where a low score indicates, respectively, little contact with the native population, traditional views and a negative view of the social climate in the Netherlands towards minorities.

Results

Table 5.5 shows that the differences between poor and non-poor households in terms of social contacts, cultural orientations and views on the social climate are relatively small. Households on a low income mix slightly less with native Dutch households in their free time and have slightly more traditional views than households with an income above the low income threshold, but the differences are not great. Only the Antillean group differs to any degree on this point; Antillean households on a low income tend to move more in their own circle and hold more traditional views than do Antillean households on higher incomes.

With regard to the social climate towards minorities, poor and non-poor households hold virtually identical opinions. Their assessment of the social climate towards minorities is predominantly neutral – the average scores on the 5-point scale are always around 3.⁵ Turks feel the most bleak about the social climate, with Surinamese opinion being the most favourable.

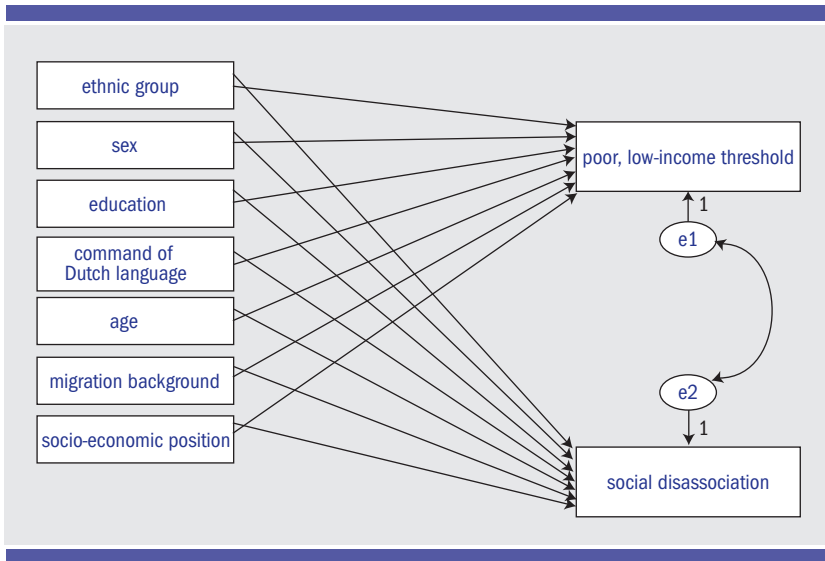
Table 5.5 Social disassociation, modern views and perception of social climate towards minorities by poor and non-poor households (low-income threshold) and ethnic group, heads of household, 2002 (average scores on scales 1-5)

	social disassociation		modern views		social climate	
	poor	non-poor	poor	non-poor	poor	non-poor
Turks	2.7	2.8	2.6	2.7	3.2	3.2
Moroccans	2.7	2.9	2.5	2.6	3.4	3.4
Surinamese	3.6	3.8	3.0	3.2	3.5	3.5
Antilleans/Arubans	3.6	4.1	2.9	3.2	3.3	3.4

Source: ISEO/SCP (SPVA'02) SCP treatment

The question arises whether the – small – differences in contacts and modern views between households are related to income deficit or whether it is other factors that mainly play a role in this. To gain an impression of this, the correlation is first established between low income and, respectively, the differences in contacts, culture and perceived social climate. Next it is examined whether this correlation persists after it has been adjusted for variables such as level of education and command of the Dutch language. If this correlation is still significant, the conclusion is that social disassociation (and/or modern views and perceived social climate) are indeed related to poverty. If the connection disappears, then other factors are determining the difference in contacts with the native population, modern values or the perceived social climate. Figure 5.2 shows the model as tested for social disassociation.⁶

Figure 5.2 Model used to calculate 'adjusted' correlation



Most of the independent variables included in the analysis are self-evident. However, the variable 'command of the Dutch language' requires some explanation. This variable is the result of an analysis of four items relating to the difficulty that minorities have with speaking and reading Dutch and the use of this language in communication with their partner and/or children. The scale ranges from 1 to 4, where a high score indicates a good command of Dutch and the frequent use of this language in the domestic situation (see also Dagevos en Schellingerhout 2003).

The variable 'migration background' distinguishes – besides the second generation – various categories of minorities from the first generation. The in-between generation is made up of people who arrived in the Netherlands between their sixth and eighteenth year. The marriage migrants are those who came to the Netherlands because they married someone from the second or in-between generation. In addition it distinguishes primary first-generation migrants who came to the Netherlands before and after 1980, respectively.

The results of the analyses can be seen in table 5.6. As stated previously, the main interest is in the differences in the unadjusted and adjusted correlation between a low income on the one hand and aspects of socio-cultural integration and the perceived social climate on the other. The results make it clear that it is not so much poverty as other factors that determine the difference in contacts, views and perception of social climate. It can be seen that regarding social disassociation and modern views the

unadjusted correlation is significant and goes in the expected direction: an income above the low income threshold coincides relatively frequently with contacts with native Dutch and modern views. This connection disappears, however, when an adjustment is made for other factors. Little contact with the native population and traditional views therefore do not systematically correlate with poverty. The same is also true for the views on the social climate towards minorities: the correlation between this variable and the income position is not significant, even unadjusted.

Table 5.6 Determinants of low income, social disassociation, modern views and perceived climate towards minorities, standardised coefficients^a (regression analysis) and correlation between low income and social disassociation, modern views and social climate (unadjusted and adjusted for characteristics included in the model), 2002, heads of household.

	low income	social disassociation	modern views	social climate
ethnic group (compared to average)				
Turks		-0.17	-0.09	-0.18
Moroccans		-0.23	-0.26	
Surinamese		0.10	0.14	0.12
Antilleans/Arubans		0.30	0.21	
men (compared to women)	-0.09		-0.10	0.06
education (in seven categories)	-0.09	0.13	0.19	-0.06
command of Dutch (scale score 1-4)	-0.07	0.32	0.18	
age (in years)		0.07		
migration background (compared to second generation)				
in-between generation		-0.07	-0.04	
marriage migrants	-0.07	-0.05		
first generation, post-1980		-0.15	-0.14	
first generation, pre-1980		-0.12	-0.07	
socio-economic position (compared to average)				
unfit for work	0.18			
working in household	0.15			0.09
retired	0.11		-0.08	
others (not working)	0.21	-0.05		
short-term unemployed (≤ 1 year)	0.15			-0.07
long-term unemployed (> 1 year)	0.18			
working, basic occupational level	-0.23			
working, low occupational level	-0.31			
working, mid-level occupation	-0.33		0.08	
working, high-level occupation	-0.32		0.16	
unadjusted correlation with low income		-0.15	-0.18	-0.02 (n.s.)
adjusted correlation with low income		-0.01 (n.s.)	-0.02 (n.s.)	-0.02 (n.s.)
explained variance (%)	32	41	39	5

a All regression coefficients printed are significant ($p < 0.05$).

Source: ISEO/SCP (SPVA'02) SCP treatment

The table also gives an idea of the factors that are important in explaining poverty, social disassociation, modern values and views on the social climate. Membership of an ethnic group is not a determining factor in the risk of a low income, when the other variables included in the model are taken into account. However, ethnic groups do differ from each other in terms of their contacts and views. Thus Surinamese and Antilleans in a poor social position mix comparatively often with the native Dutch population and have relatively modern views. Furthermore, it appears that a command of the Dutch language and belonging to the second generation are particularly influential on socio-cultural disassociation and less so on the risk of poverty. Second-generation minorities with a good command of Dutch therefore clearly set themselves apart from the first generation in terms of contacts and views, but not in terms of poverty. The latter presumably has to do with the high level of (youth) unemployment among second-generation minorities; even minorities with little socio-cultural disassociation are often unemployed and, for this reason, on low income.

This analysis also points to the importance of education level and the command of the Dutch language for the (structural and socio-cultural) integration of minorities. These factors reduce both socio-economic deprivation – less risk of poverty – and social and cultural disassociation. Investments in education and naturalisation programmes therefore have a dual effect and function in this sense as an important tool in promoting the integration of minorities in the Netherlands (cf. Dagevos 2001c).

5.6 Conclusions

In the Netherlands, a third of non-western ethnic minority households are on a low income, compared with 11% of native Dutch households. Poverty is particularly prevalent among ‘other’ non-western ethnic minority and Moroccan households. A positive aspect is the fall in the share of poor households among minorities; in the period 1996-2000 poverty among non-western ethnic minority households fell by 10 percentage points. The favourable economic climate was the most important driving factor behind this development. Unemployment among minorities fell rapidly in the period under examination, participation in employment increased strongly and minorities were employed in better paid jobs at a mid and high level to a greater extent than they were previously.

These favourable developments do not alter the fact that 19% of the poor households in the Netherlands belong to a non-western ethnic minority group. This is over two-and-a-half times as high as may be expected based on their share in the population. Poverty is becoming increasingly ‘ethnicised’, if only because the share of minorities in the population is growing.

The non-active, those on benefit and pensioners are often on a low income. In this respect, minorities do not differ from the native population. However, the share of poor people in these categories is much higher among minorities than it is among the native population. Non-western ethnic minorities generally receive less in benefit than the native population. This has to do partly with the fact that they have worked in low-paid jobs, which has a bearing on the level of benefit. Retired members of minorities often have an inadequate old-age pension because they have not lived in the Netherlands for forty years. Their supplementary pension is often low as well, due to their overrepresentation in low-level jobs and the high levels of (long-term) unemployment prior to their retirement. At the same time, there are fewer dual income or 'one-and-a-half-earner' households among ethnic minorities. Among Turks and Moroccans this is due to the low level of female employment; among Surinamese and Antilleans it is a consequence of the high incidence of one-parent families.

Poverty among minorities does not appear to coincide with less contact with the indigenous population, the tendency to hold traditional views or an unfavourable view of the social climate towards minorities in the Netherlands. Other factors such as level of education, command of the Dutch language, and belonging to the second generation are far more important in explaining these differences.

All in all, a mixed picture emerges from the findings. Poverty among minorities is still high, but the substantial fall should not be ignored either; this clearly marks a change in the right direction. The question, of course, is whether these favourable developments have continued. The figures in this chapter relate to 2000. After this year the economic situation in the Netherlands worsened considerably, as it did in many other European countries, which put the labour market and income position of minorities under great pressure; the increased unemployment among minorities bears testimony to this. Taken as a whole, their social opportunities are not favourable, and certainly not in the present weaker economic climate. It is therefore entirely conceivable that the change for the good identified in this chapter has actually come to a halt and that poverty among minority groups is on the increase again. In addition to that, the intended retrenchment in the social security system poses a threat to the improved position of minorities. If this is carried out minorities, if only because of their heavy representation among those claiming benefit, run big risks of a sharp drop in income. This will probably put a substantial number of them on the wrong side of the low-income threshold.

Notes

- 1 See chapter 2 for a description of these poverty thresholds.
- 2 Since 1986 Aruba has had a 'separate status', with the island formally dissolving its links with the other islands in the Netherlands Antilles, while still remaining part of the Kingdom of the Netherlands. For practical reasons reference is made in this chapter to 'Antilleans' rather than 'Antilleans/Arubans'.
- 3 The term 'minorities' is used to refer to the members of groups who fall under the minorities policy. Non-western ethnic minorities have come from non-western countries with the exception Japan and Indonesia. The overlap between both categories is considerable, but not total. Southern European groups like Spaniards and Italians do actually fall under the minorities policy, but are not non-western ethnic minorities. On the other hand, not all non-western ethnic groups are minorities: the Chinese, for example, do not fall under the minorities policy.
- 4 See Insert 2.2 for an explanation of equivalence factors, which are used when computing standardised household incomes.
- 5 It is unclear whether minorities do not wish to comment on this and as a result seek refuge *en masse* in neutral responses, or whether these really do reflect their views on their opportunities and the way in which minorities are treated.
- 6 In the model assessments all independent variables are correlated with each other. This is referred to as a saturated model. However, for the sake of convenience these correlations have not been presented here.

6 The feminisation of poverty – women as a risk group^{*}

6.1 Introduction

In the past, poverty in families was seen primarily as a result of the fact that the income of the male breadwinner was for some reason (illness, unemployment, age, low-paid work) insufficient to sustain his family (Gonyea 1994). At the end of the 1970s, however, people began to see poverty as primarily a female problem. Pearce (1978) noted that the proportion of women in the poor population in the United States aged 16 and over had increased to almost two-thirds in 1976 compared with the 1950s. In order to focus attention on the growing proportion of women among the poor population, she introduced the term ‘feminisation of poverty’. She described this phenomenon mainly from the perspective of the sex-based division of the labour market, whereby women earn less and run a greater risk of poverty than men. In particular she levelled criticism at the lack of financial support offered by the government to divorced and single women (Pearce 1978). Others (e.g. Hardy and Hazelrigg 1993) pointed to demographic trends, arguing that the increasing number of divorces and higher life expectancy of women meant that more and more women lose the income of their partner at a certain point in their lives.

This chapter looks for an answer to the question of whether this feminisation of poverty is also present in the Netherlands, and if so, which factors could explain this. Studying the literature on the feminisation of poverty reveals that there are different definitions of this term, which are moreover interchanged fairly readily. On the one hand it is described as an increase in the overrepresentation of women among the poor; authors such as Pearce (1978), Wright (1992), Hardy and Hazelrigg (1993), Davies and Joshi (1998) and Marcoux (1998) all belong to the group who use the term ‘feminisation of poverty’ to refer to an increase in the proportion of women within the poor population.

By contrast, others base their definition on the proportion of poor people in the female population. Thus De Jong Gierveld et al. (1997) argue that feminisation of poverty exists because (in this case older) women are at greater risk of having an income below the social policy minimum than (older) men. However, the presentation of their results contains no comparison over time, so that in reality they are talking about the poverty risk of women at a certain moment in time. Northrop (1990), and Hellendoorn and De Bruijn (1999), describe the feminisation of poverty in terms of changes in the percentage of poor people in households with a female head compared with

^{*} This chapter is based on a text from the *Poverty Monitor 1999*, written by S.J.M. Hoff and B.T.J. Hooghiemstra (SCP).

other households. In making this comparison, Northrop uses all other households as a reference group, whereas Hellendoorn and De Bruijn look only at men in comparable household situations. As these definitions relate to the incidence of poverty among women, they are interpreted in this chapter as definitions of the ‘poverty risk’.

In seeking to provide an answer to the question of whether there is feminisation of poverty in the Netherlands (section 6.2), this chapter aligns with the first definition above, and refers to the *feminisation of poverty* where the proportion of households with a female breadwinner within the total group of poor households has increased within a certain period. The *poverty risk* of women is also discussed, however (section 6.3). Rather than looking at the percentage of female households within the poor population, the emphasis here is on the proportion of poor people among female households. It is examined whether the risk of female heads of households being poor is greater than that of male heads of households, and whether this risk has increased over time.

The decision to look only at female heads of households rather than at women as individuals derives from the fact that the definition of poverty is based on the income of the entire household. In order to distinguish female households from male households, the notion of ‘head of household’ is used, i.e. the person with the highest personal income. Households with a female head are thus households in which the woman is either the only member of the household with an income or where a woman has the highest income. Far and away the majority of poor households with a female head (approx. 90%) are single-person households or single-parent families. Only one in ten of the women in these households have a partner; according to the definition adopted here, this partner has a lower personal income than the female head of the household. In the descriptions used in this chapter, terms such as ‘female heads of households’, ‘female breadwinner’ and ‘female households’ will be used interchangeably.

6.2 Does feminisation of poverty exist in the Netherlands?

Earlier studies in other countries provide little or no support for the feminisation hypothesis. Both in the United Kingdom and the United States, the proportion of women in the poor population has for decades been structurally higher than the proportion of men, but broadly speaking this proportion has remained virtually constant (Gimenez 1989; Wright 1992; Davies and Joshi 1998). However, the Dutch situation is completely different from that in the UK or the United States, not only in terms of population structure but also as regards the benefits system, for example. It therefore remains to be seen whether the same conclusion also applies for the Netherlands.

The answer to the question of whether feminisation of poverty exists partly depends on the measurement period chosen: it may be that, viewed over an entire period, the proportion of female breadwinners in the poor population has undergone little change, but that in the intervening years sharp rises or falls have occurred. Unfortunately the Income Panel Survey on the basis of which this research question will be answered, has been carried out on an annual basis only since 1989. Other years for which data are available are 1977, 1981 and 1985. This means that any conclusions relating to the period 1977-1988 must be formulated with some caution.

Table 6.1 shows the proportion of households with a female head within the total poor population for each year. Both the low-income threshold and the social policy minimum are applied as a poverty criterion.

Table 6.1 Proportion of households with a female head within the total group of households below the low-income threshold/the social policy minimum (in absolute numbers x 1,000 and in percent)

	low income		income below social policy minimum ^a	
	absolute no. (x 1,000)	%	absolute no. (x 1,000)	%
1977	198	34.8	–	–
1981	233	36.3	–	–
1985	421	37.4	–	–
1989	479	52.2	349	58.4
1990	436	51.8	332	55.5
1991	460	52.8	343	56.0
1992	463	53.7	353	54.8
1993	480	53.6	351	56.4
1994	513	53.7	353	56.1
1995	512	54.5	356	56.8
1996	527	55.2	363	56.7
1997 ^b	540	55.7	369	56.2

a No data are available for 1977, 1981 and 1995.

b Provisional figures.

Source: CBS (IPO'77, '81, '85, '89 - '97)

As the low-income threshold is adjusted annually for inflation, it is a more suitable poverty criterion for making comparisons over time than the social policy minimum. Table 6.1 shows that the number of households with a female head as a proportion of the low-income group increased between 1985 and 1989 from 37% to 52%. In the 1990s the figure increased even further to reach 56% in 1997. The conclusion is therefore that feminisation of poverty is indeed present in the Netherlands, and increased dramatically particularly in the second half of the 1980s.

As became apparent in chapter 2, a number of supplementary dimensions of poverty can be distinguished. For example, the duration of poverty could form part of the definition of poverty, as could the size of the assets of the household in question or the household's own assessment of its income position. The question is whether the trend towards feminisation described above also occurs if these additional poverty criteria are applied. To answer this question we look at whether the share of female households is larger within the group of households with a long-term low income (for at least four successive years) than within the group of households suffering short-term poverty, and at whether that share has changed over time. These calculations are also carried out for poor households with assets of less than or more than EUR 2,270, respectively, as well as for poor households whose head states that they find it difficult to make ends meet on the available income or who report that they have no difficulty in this area. In all these calculations, only the low-income threshold is applied as a poverty criterion. The results are presented in table 6.2.

Table 6.2 Female households within the low income group, by duration of poverty, size of assets and subjective perception of poverty (in percent)

	duration of poverty ^a		amount of assets ^b		difficulty making ends meet	
	< 4 years	≥ 4 years	≥ € 2270	< € 2270	no	yes
1991	–	–	–	–	48.5	52.2
1992	–	–	48.7	57.3	49.6	57.8
1993	49.6	62.1	51.8	54.9	48.0	58.8
1994	49.9	62.2	52.5	54.6	37.5	55.5
1995	49.9	63.8	51.9	56.3	37.8	57.8
1996	50.8	64.4	50.1	58.6	40.3	56.0
1997 ^c	51.0	64.1	–	–	41.4	53.6

a No data available for 1991 and 1992.

b No data available for 1991 and 1997.

c Provisional figures.

Source: CBS (IPO'92-'97; Statistic on Wealth '93-'97; SEP'91-'97)

Table 6.2 shows that the proportion of households with a female head is consistently greater among the households in less favourable situations. More than 60% of households with a long-term low income have a female head, compared with around 50% of households suffering short-term poverty. Again, female households constitute a large majority of the low-income group with assets of less than EUR 2,270. The share of female households in the category with larger assets is however not much lower; 1992 and 1996 are the only years showing a statistically significant difference. Finally, the share of female breadwinners is also consistently higher among households that have difficulty making ends meet than among the group who have no difficulty managing, although these differences are fairly small in the period 1991-1993.

The table also shows that although these shares have increased over time, the changes are small. Thus the percentage of female households suffering long-term poverty rose from 62% in 1993 to 64% in 1997. The fluctuations in the share of female heads of households are also small in the group with low assets: the year-on-year changes amount to just over two percentage points. To a lesser extent, the same holds for those who have difficulty making ends meet; here, the year-on-year changes amount to less than six percentage points.

6.2.1 *The influence of social trends*

Explanations for the feminisation of poverty are sought mainly in the changing structure of the population. Reference has already been made in the introductory section to the increase in the share in the population of single women as a result of the increased number of divorces and the ageing of the population. This section looks more closely at social trends that may have played a role in the increase in the share of female households within the low-income group.

As stated, a number of demographic trends have resulted in a rise in the number of households with a female head over the years. For example, the social trend of postponing marriage or cohabitation has led to a higher percentage of single younger women, while the growth in the number of divorces has boosted both the proportion of single women and the proportion of single mothers. Finally, the ageing of the population has increased the percentage of single older women. The two latter categories of women are at particular risk of poverty (Vrooman 1996; SCP/CBS 1997). While the percentage of single mothers has risen only slightly within the total population (from just over 2% in 1977 to just under 4% in 1997), this category has come to represent an ever increasing proportion of the low-income group. Over the same period the portion of single mothers in the poor population has increased from just over 7% to almost 14%. Single women aged 65 and over account for a considerable part of the low-income group throughout the entire period studied; at the end of the 1970s they make up 16% of this category, and this figure rose to over 20% in the 1990s. Although single women aged under 65 are less frequently cited as a poverty risk group, their number has more than doubled in the last 20 years as a proportion of the low-income group: where in 1977 they accounted for 6% of the poor population, in 1997 this figure had risen to over 15%. One explanation for this would seem to be that women, like men, have increasingly fallen prey over time to unemployment and incapacity for work. Since the end of the 1970s, both the number of women on unemployment benefit and those on disability benefit has more than doubled in absolute terms (Lisv 1998).

The fact that single mothers are relatively frequently poor can be largely ascribed to their low participation in the labour market and, in connection with this, the fact that they are relatively frequently partly or entirely dependent on social assistance benefit. In fact the origins of the single-parent family play a major role in the income position of single mothers. Widows, for example, form part of the poor population considerably less often than divorced or unmarried mothers (Niphuis-Nell 1997).

The relatively frequent occurrence of single women aged 65 and older in the poor population can be attributed mainly to their low education level and limited work experience. For the present generation of older women, it was entirely normal to leave the education system after primary school, possibly augmented by a short follow-up training course, before going out to work in a low-paid job or helping in the parental home until their marriage. The majority of these women consequently have only a short career, if any, behind them. The fact that this was by no means always a voluntary choice on their part is illustrated by the fact that until 1957 women in the civil service were dismissed as soon as they married. As a result of their relatively short employment history, plus the fact that they were often excluded from participation in the occupational pension system, most older women have built up little or no occupational pension of their own. Like single mothers, the way in which these older women became single has an important bearing on their income position. Given their generally higher educational level and longer participation in the labour market, women who have never married come out best in this instance (De Jong Gierveld 1997).

In addition to demographic processes, trends in employment and unemployment are also important, not only for households with a female head, but for other households, too. Northrop (1990) claims that feminisation of poverty is a relative concept, which reflects the prosperity of female households in relation to that of other households. If the percentage of poor households in this latter group increases more strongly than the percentage of poor households with a female head, this would then suggest a process of 'defeminisation'. Such a situation would arise in period of economic decline. Since men relatively often work in better-paid but less stable sectors, they are 'more sensitive' to economic fluctuations than women (see also SCP 1994: 113). Low employment, which is generally accompanied by high unemployment rates, would therefore be expected to have a negative impact on men in particular. And indeed the fall in employment which occurred in the early 1990s was largely concentrated among male employees (SCP 1994: 115). Nevertheless, table 6.1 shows that the number of households with a female head showed little or no decrease as a proportion of the poor population in that period. What does tally with the above reasoning is the finding that the rise in employment which occurred after 1985 was accompanied by a sizeable increase in the proportion of households with a female head within the low-income group. Evidently the growth in employment in the second half of the 1980s largely benefited households with a male head, while this group suffered relatively little from the drop in employment at the start of the 1990s.

The labour market participation rate of women increased strongly after 1985 in particular. However, since these were mainly married and cohabiting women (SCP 1998), in other words women generally sharing a household with a male breadwinner, this will have virtually no visible impact on the figures for the proportion of households with a female head among the poor population.

The fact that younger women began participating in employment more will also not lead to a spectacular fall in the share of female households among the poor population, since (non-student) young people aged up to 25 already formed only a small proportion of the poor population (see Vrooman 1996). The participation rate of single mothers with young children has increased markedly: whereas in 1988 only just over a quarter of these women were in paid employment, this figure had risen to over 40% in 1997 (De Vries 1998). To the extent that participation in employment leads to people moving off benefit, this should have led to a fall in the share of female households in the poor population, and a comparison between 1986 and 1994 does indeed confirm that the increase in labour participation was accompanied by a fall in the percentage of single mothers receiving social assistance benefit (Niphuis-Nell 1997). It is however uncertain whether the income of these working women is sufficient to take them above the low-income threshold, which is higher than the guaranteed minimum income. Earlier research has shown that participation in the labour market, whilst being one of the ways of escaping poverty, is only successful for single mothers if they have a job for at least 32 hours a week (Hooghiemstra and Knijn 1997). The fact that the proportion of single mothers within the low-income group was twice as big at the end of the 1990s as at the end of the 1970s indicates that this is by no means always the case.

To assess the influence of all these trends on the share of female households in the poor population, the population from 1997 has been reweighted to the 1977 situation; this involves a simulation to make the structure of the Dutch population in 1997 the same as that of 20 years earlier in terms of age profile, household types and employment participation. The investigation then looks at how high the percentage of low-income households would be in that case, as well as how large the proportion of female households within the low-income group would be. If these percentages come out higher than they actually were, it can be concluded that developments in the population structure have had a favourable impact. Conversely, if the simulated shares are lower, this means that demographic trends have had a negative impact. The same simulations were also carried out for the separate periods 1977-1985, 1985-1990 and 1990-1997. Table 6.3 shows the results.

Table 6.3 Share of low incomes and share of households with a female head within the low-income group in 1997, reweighted to the situation in 1977, 1985 and 1990 (in percent)

	1977		1985		1990		1997	
	total	women	total	women	total	women	total	women
actual percentage of low incomes	12.6	34.8	21.6	37.4	14.8	51.8	15.4	55.7
reweighted to 1977 for:								
age category ^a			21.4	37.3			15.8	55.2
household type ^b			20.3	31.7			12.3	49.2
labour market participation ^c			19.6	34.9			14.3	54.5
total			18.4	33.0			12.6	51.3
reweighted to 1985 for:								
age category ^a					14.9	51.8		
household type ^b					14.1	50.0		
labour market participation ^c					15.2	52.1		
total					15.5	50.4		
reweighted to 1990 for:								
age category ^a							15.8	55.6
household type ^b							14.7	54.1
labour market participation ^c							15.6	55.8
total							15.8	53.8

a Categories: 18-24 years, 25-44 years, 45-64 years, 65-74 years, 75 years and older.

b Categories: living alone, single-parent family, couple, other.

c Categories: not working, working.

Source: CBS (IPO'77, '85, '90, '97)

Table 6.3 shows that, taking the period 1977-1997 as a whole, the changes in the structure of the population that have occurred since 1977 have been unfavourable both for total poverty in the Netherlands and for the share of female households within the low-income category. The only exception concerns the factor 'age'; if the present-day age structure were identical to that at the end of the 1970s, the total percentage of households with a low income would have been slightly higher in 1997 than was actually the case (15.8% instead of 15.4%). This can be attributed to the fact that the over-65s accounted for a larger proportion of the poor population in 1977 (34%) than in 1997 (29%). However, it can be assumed that this fall is largely accounted for by households with a male head, since the table shows that the percentage of female households among the poor population would definitely have been (slightly) lower if the present age structure were the same as 20 years ago (at 55.2% instead of 55.7%).

The figures presented for the period 1977-1997 also make clear that the changes in the population structure by household type have had the biggest influence on the proportion of poor households and the proportion of female households within the

poor population. The share of the total low income group would have been more than three percentage points lower in 1997 if the population had had the same structure in this respect as in 1977, while within the poor population the group of female households would have reduced by 6.5 percentage points. As expected, it is above all the increase in the number of single-person households that has had a negative influence.

Finally, the findings in relation to labour market participation are striking. If the number of people in work in 1997 had been the same as in 1977, both the total percentage of poverty and the percentage of female households within the poor population would have been more than one percentage point lower. One explanation for this is that the total share of working people fell from 67% to 61% between 1977 and 1997; this fall is attributable particularly to men aged between 50 and 64 (SCP 1998). Evidently the effects of the increased labour market participation of female heads of households are overshadowed by the impact of the fall in the labour market participation rate of (mainly older) men.

All in all, the findings suggest that almost a quarter of the difference between the actual proportions of female households within the low-income group in the two years (34.8% and 55.7%, respectively) can be explained by changes in age profile, household composition and labour market participation. More than three-quarters of the feminisation of poverty must therefore be due to other factors. It seems plausible that developments in the field of social security are of particular importance here. As discussed in the *Social and Cultural Report* (SCP 1998), the Dutch social security system in the mid-1970s was easily accessible, benefits were high and little attention was devoted to combating fraud or encouraging people to move off benefit and into paid work. A great many changes have been introduced since then, however, aimed at simplifying the system, saving costs and limiting the number of benefit claimants. Seen from the perspective of benefit recipients, these changes in the social security system can be regarded as unfavourable, a supposition that is confirmed by the fact that the level of benefits in 1997 was almost 10% lower than at the end of the 1970s (SCP 1998). Given this decline in the purchasing power of benefit recipients, it is reasonable to assume that the percentage of poor people would have been lower if these system changes had not taken place.

The separate periods 1977-1985, 1985-1990 and 1990-1997 show no big deviations from the above pattern. The data for the period 1977-1985 indicate that the proportion of female households in the poor population was once again determined more by the type of household than by the age category or labour participation rate. The share of female households within the low-income group would have been 5.7 percentage points lower if the composition of the population by household type had remained unchanged since 1977. However, the total poverty rate proves to be most dependent on having or not having work. If the proportion of working people in 1985 were to correspond

with that in 1977, the total poverty rate in 1985 would have been two percentage points lower. The trends observed here appear to play a role primarily among male heads of households; the proportion of single men aged under 65 in the low-income group rose more sharply over the period (from 4.8% to 8.9%) than the proportion of single women in this age category (from 6.4% to 9.2%). This corresponds with the reasoning described earlier that men are more sensitive than women to a downturn in the economy. In fact it is striking that the high unemployment rate in the early 1980s was not an even more prominent factor in this respect. It may be that the increase in the total percentage of low incomes between 1977 and 1985 has to be ascribed primarily to changes in the social security system, such as the ending of the linkage between benefits and pay and the lowering of benefit levels.

The figures for the period between 1985 and 1990 reveal that none of the three factors is of great importance for the trend in the share of low incomes or in the feminisation of poverty. The striking increase in the proportion of poor households with a female head which occurred during this period according to table 6.1, can therefore be attributed to only a slight extent to developments in terms of age, household composition and labour participation rate.¹ The profile of the population by household type makes the biggest difference; if the percentage of single-person households in 1990 had not increased since 1985, the share of female households in the low-income group would have been almost two percentage points lower in 1990 than was actually the case (at 50.0% instead of 51.8%). The total proportion of low incomes would then have been more than half a percentage point lower, at 14.1% instead of 14.8%.

The population profile by household type remains the most important factor after 1990; if this profile had been the same in 1997 as in 1990, the percentage of households with a low income would have been slightly below 15%, and the percentage of female households around 54%.

The fact that the increased labour participation rate of women has had virtually no slowing effect on the feminisation of poverty is in line with the findings of Hellendoorn and De Bruijn (1999). One explanation for this is that the increase in the female labour participation rate is expressed mainly in an increase in the portion of double-earners and therefore has little effect on the income position of female heads of households.

6.3 The poverty risk of women

As stated in section 6.1, the concept of the feminisation of poverty is frequently interchanged with the notion of the risk of female poverty. Rather than looking at the percentage of female households within the poor population, the focus is then on the number of poor households as a percentage of female households.

The second part of this chapter looks at the risk of poverty for families with a female head, and examines whether this risk has increased in recent decades, remained constant or fallen. The factors that may influence the poverty risk, such as age and labour market position, are also investigated. Special attention is given to single older women, single mothers and single mothers of Surinamese or Antillean origin.

Table 6.4 Share of poor households among households with a female head, in percent and relative to the share of poor households among households with a male head

	low income		income below social policy minimum ^a	
	%	ratio	%	ratio
1977	21.4	2.1	–	–
1981	22.3	2.0	–	–
1985	33.4	1.9	–	–
1989	31.5	2.9	23.0	3.7
1990	28.9	3.0	22.0	3.4
1991	29.7	3.1	22.1	3.5
1992	29.0	3.1	22.1	3.3
1993	29.1	3.0	21.3	3.4
1994	30.3	2.9	20.9	3.3
1995	29.7	3.0	20.6	3.3
1996	29.9	3.1	20.6	3.3
1997 ^b	29.5	3.0	20.2	3.2

a No data available for 1977, 1981 and 1985.

b Provisional figures.

Source: CBS (IPO'77, '81, '85, '89 – '97)

Table 6.4 shows that the risk of poverty (according to the low-income threshold) rose sharply for female households in the period 1977-1985, from approximately 21% to more than 33%. Since then the proportion of low incomes among households with a female breadwinner has remained fairly stable at around 30%. The ratios presented show clearly that the risk of poverty during the entire period is at least twice as high – and from 1989 no less than three times as high – for female households as for male households.

In order to investigate which factors influence the poverty risk of women, the percentage of households with a low income is recalculated each year, adjusting for the effects of age, labour market position, presence or absence of a partner and presence or absence of children. By way of illustration, the results for 1997 are shown in Table 6.5.

Table 6.5 Share of low incomes among households with a female head, by age, labour market position, presence of a partner and presence of children, 1997 (adjusted percentages)

	households with low income	effect of variable ^a
age		.16
18-24 years	51	
25-44 years	28	
45-64 years	23	
65-74 years	33	
≥ 75 years	41	
labour market position		.45
self-employed	33	
employee	17	
benefit recipient	78	
pensioner ^b	26	
other	57	
partner present in household		.12
no	34	
yes	21	
children present in household		.13
no	28	
yes	44	

a Beta weighting from multiple classification analysis.

b Incl. recipients of widows' benefit.

Source: CBS (IPO'97)

Table 6.5 shows that the youngest and oldest age categories, benefit claimants, women without a partner and women with children run the biggest risk of poverty. By contrast, being in paid employment and/or having a partner² protects against poverty. The same pattern is found for 1985 and for the period 1989-1996. In 1981 and 1977, however, the presence or absence of a partner makes no difference for the poverty risk of households with a female head, while in 1977 neither a significant difference is found between female households with or without children living at home.

All benefit recipients are grouped in a single category in the table. Closer analysis however reveals that the type of benefit also has an influence on the recipient's risk of poverty. As expected, being in receipt of social assistance benefit has the biggest negative impact in this respect (poverty rate in 1997 of 89%), followed by disability benefit (60%) and unemployment benefit (43%).

6.3.1 The poverty risk of specific groups of female households

Single older women and single mothers are key risk groups for poverty (see also Vrooman 1996, SCP/CBS 1997). This may be even more true for single mothers of Surinamese or Antillean origin: as chapter 5 showed, a considerably higher proportion of ethnic minority households fall into the poor population than indigenous households. All three groups will be examined more closely below.

Single older women

As stated earlier in this chapter, single women aged 65 and over accounted for approximately 16% of the poor population in 1977, and this percentage subsequently rose to reach 20% in 1997. The risk of poverty appears to have increased in line with these figures. On balance, the poverty rate increased from 29% to 33% between 1977 and 1997, but in 1985 almost 42% of single older women had a disposable income that was below the low-income threshold.

A number of factors were examined to determine how much they influence the risk of poverty. Table 6.6 presents the findings for 1997 by way of illustration. As no information is available on previous labour market position, as there is by definition no partner in household and as any children generally have their own independent households, only the age of this group of women and the reason for their being alone are considered in the analyses.

Table 6.6 Share of low incomes among single older women, by age and reason for living alone, 1997 (adjusted percentages)

	households with low income	effect of variable ^a
age		.11
65-74 years	27	
≥ 75 years	37	
reason for living alone		.18
never married	28	
widowed	31	
divorced	61	

a Beta weighting from multiple classification analysis.

Source: CBS (IPO'97)

Single women aged 75 and older are at greater risk of poverty than women aged 65-74. Also, in line with the findings of De Jong Gierveld (1997) discussed earlier, women who have never married are found to be in the most favourable position. Divorced women, by contrast, have a high risk of poverty: six out of ten of them have a disposable income below the low-income threshold.

Single mothers

Whenever people talk about groups at risk of poverty, single mothers are the most frequently cited example. Generally, this is a reference to divorced women with young children who are entirely or largely dependent on social assistance benefit. Although this image by no means fits all single mothers (see Hooghiemstra and Knijn 1997), as long ago as 1977 almost 40% of this group were in the low-income category, while since the mid-1980s the figure has been well above 60%.

As with the total group of female breadwinners and single older women, an investigation was carried out into which factors contribute to the risk of poverty for single mothers. The influences studied were age, labour market position, reason for single motherhood, number of children and age of youngest child. The results for 1997 are presented in Table 6.7.

Table 6.7 Share of low incomes among single mothers, by age, labour market position, reason for single motherhood, number of children and age of youngest child, 1997 (adjusted percentages)

	households with low income	effect of variable ^a
age		n.s.
18-24 years	71	
25-44 years	68	
45-64 years	56	
labour market position		.64
self-employed	48	
employee	31	
benefit recipient	94	
pensioner ^b	38	
reason for single motherhood		n.s.
unmarried	69	
widowed	59	
divorced	66	
number of children in household		n.s.
one	61	
two	71	
three or more	75	
age of youngest child		n.s.
< 6 years	67	
6-11 years	66	
12-17 years	66	

a Beta weighting from multiple classification analysis.

b Incl. recipients of widows' benefit.

Source: CBS (IPO'97)

When adjusted for the effects of other variables, only labour market position is found to be significant. As expected, single mothers who are dependent on benefit are at the greatest risk of poverty. Closer analysis shows that being on social assistance benefit creates a particular risk (poverty rate of 96%), followed at some distance by unemployment and disability benefit (78% and 72%, respectively).

Single Surinamese and Antillean mothers

As discussed in chapter 5, single motherhood is a common household form within the Surinamese and Antillean community. Where female single-parent families form approximately 4% of the total population in the Netherlands, the figure for Surinamese households is 22%, and for Antillean households 38%.

Both the Surinamese and the Antillean populations are made up of a number of subgroups³ which differ from each other in terms of family structures. Within the Surinamese group, single motherhood occurs particularly among Creoles (26% single-parent families), while in the Antillean category this is the case particularly for people from the island of Curaçao (43%).

The risk of poverty among single mothers also varies within these two groups: among Surinamese women, the Creoles manage to stay above the poverty line considerably more often than Hindustanis (poverty rates of 37% and 66%, respectively); among the Antilleans, Arubans perform better than those from Curaçao (respective poverty rates of 57% and 70%).

As with all single mothers, Surinamese and Antilleans who have a job run a lower risk of poverty. However, there are wide differences between the subgroups (see table 6.8). Only 15% of working Creole women have an income below the poverty line, whereas the figures for working Hindustani and Antillean women are 40% and 32%, respectively. In addition, the number of children and age of the youngest child have a significant influence on the risk of poverty for single Antillean mothers: the more children there are and the older the youngest child, the greater the chance that these women will find themselves in the low-income group.

Table 6.8 Share of low incomes among single Surinamese and Antillean/Aruban mothers, by background characteristics (adjusted percentages)

	Creole Surinamese effect of variable %	Hindustani Surinamese effect of variable %	Antilleans/Arubans effect of variable %
age	n.s.	n.s.	n.s.
18-29 years	43	63	78
30-39 years	43	64	73
40-64 years	28	66	66
work	.55	.44	.58
yes	15	40	32
no	69	83	89
number of children	n.s.	n.s.	.22
one	36	59	62
two	41	73	77
three or more	37	63	85
age of youngest child	n.s.	n.s.	.19
< 6 years	44	63	67
6-11 years	29	68	73
12-17 years	47	67	89

Source: SCP/ISEO (SPVA'98)

6.4 Conclusions

Earlier research in the United Kingdom and the United States confirms that women are overrepresented in the poor population, but that in percentage terms their number has remained relatively stable over time. This chapter aimed to investigate whether feminisation of poverty occurs in the Netherlands. It appears that this can be confirmed. However, the feminisation process took place mainly in the 1980s; since the early 1990s the proportion of households with a female head within the poor population has increased by only a few percentage points. Reweighting of the population structure in 1997 to match the situation in 1977 suggests that the feminisation of poverty is due mainly to the rise in the number of single women, and that the increased labour participation of women has had little impact on this.

The second research question addressed the poverty risk of women. The findings show that the share of low incomes among households with a female head has also increased over time, and this increase took place almost entirely in the 1980s as well. In addition, we find that since the end of the 1980s female breadwinners run three times the risk of being poor compared with households with a male head. The key risk groups here are (non-student) young women aged up to 25, older women aged 75 and over and benefit recipients.

Both single older women and single mothers have a higher poverty risk than the average female household head in the Netherlands. Differences are however found within these groups depending on certain background characteristics. For the former category, the reason for being alone is the key determinant for the risk of poverty, while for single mothers the most important factor is their labour market position. Women of Creole-Surinamese origin form a special category of single mothers, since only a relatively small proportion of them – fewer than 40% – fall into the low-income category. The fact that they are in work significantly more often than the average single mother will undoubtedly play a role here.

Notes

- 1 The labour participation rate of both households with a female head and households with a male head increased slightly between 1985 and 1990: from 31% to 34% for women and from 69% to 70% for men. In the same period, however, the risk of poverty among 'male households' fell much more sharply (from 18% to 10%) than among female households (from 33% to 29%; see also table 6.4). Evidently other income-improving factors are at work here, such as changing jobs, promotion and increased labour participation by partners among double-earners.
- 2 This is despite the fact that this partner has no income or a lower income than the female head of the household.
- 3 The Creoles and Hindustanis are the two largest ethnic subgroups among the Surinamese. The Creoles are of African origin; their ancestors were brought over to Surinam as slaves, mainly from Ghana. The Hindustanis are the descendants of migrants (contract labourers) from India. Of the Surinamese people living in the Netherlands, 41% regard themselves as Creoles, 39% as Hindustanis. The Antilleans living in the Netherlands identify with the island from which they (or their parents) originate: 49% describe themselves as being from Curaçao, while 12% consider themselves Aruban (see Tesser et al. 1999).

7 The dynamics of poverty*

7.1 Introduction

In the foregoing chapters poverty has been defined mainly on the basis of annual income. While this gives a general impression of the means of households, it ignores an important aspect, namely the stability or changeability of poverty. Incomes may change due to general wage increases and changes by government in tax and social insurance rules. In addition, households can undergo events which affect their income: accepting (different) work, losing a job, retirement, divorce, relationship-formation, etc. These dynamics form the focal point of this chapter.

Section 7.2 presents key figures on the numbers of people moving into or out of the low-income group, and then looks briefly at the origin of the inflow and the destination of the outflow. Section 7.3 looks in more detail at those leaving the low-income category and examines this how far this coincides with changes in the labour market position and composition of the households concerned. Section 7.4 focuses on the concept of 'poverty recidivism'. This section looks not only at the percentage of the population which repeatedly moves into and out of poverty, but also at the characteristics of the people concerned. Consideration is then given to the events that coincide with an increased risk of recidivism. Finally, section 7.5 discusses the income mobility of successive generations.

7.2 Extent of the poverty inflow and outflow

There is a high annual turnover in the group of persons belonging to households with a low income.¹ Since 1992 both the inflow into and the outflow from this group has amounted to around 600,000 persons (table 7.1). In 1993 and 1994, the number of people entering the low-income group was substantially higher than those leaving it, leading to a net increase in the number of low incomes. In the ensuing period the reverse was the case, leading to a fall in the number of low incomes. The number of persons who stayed on a low income in two successive years (persistent low-income recipients) averaged more than 1.2 million in the period 1992-1997, after which it fell to just over 1.0 million. In all years roughly two-thirds of those on a low income are persistent low-income recipients.

* This chapter is based on texts from the *Poverty Monitor 1999* and *Poverty Monitor 2000*. Most of the contributions by the SCP were written by J.M. van Leeuwen. The main contributions from the CBS were compiled by W. Bos and F. Cörvers.

Table 7.1 Status of and trend in the number of persons in households with a low income (number x 1,000), 1992-2000

	status in preceding year ^a (A)	inflow (B)	outflow (C)	persistent low income (A minus C)	status in present year ^a (A plus B minus C)
1992	1758	553	555	1203	1756
1993	1756	611	543	1213	1823
1994	1823	673	567	1256	1930
1995	1930	563	632	1298	1860
1996	1860	613	598	1261	1874
1997	1874	581	638	1236	1817
1998	1817	540	694	1123	1663
1999	1663	568	628	1035	1603
2000	1603	524	568	1035	1559

a On 31 December.

Source: CBS (Statistic on Income)

Persistent low-income recipients

Table 7.1 shows that roughly two out of three people with a low income in a given year are still having to survive on a low income a year later. For many of them, however, this was also the case in the preceding years; in the years 1994-1998 40% of people with a low income had been in this position for at least four consecutive years. At least a quarter had been living on a low income for six years or longer (see table 7.2).

Table 7.2 Persons by duration of low income (in percent), 1994-1998

	total low income	of whom for					
		1 yr	2 yrs	3 yrs	4 yrs	5 yrs	≥ 6 yrs
1994	100	35	17	10	8	6	25
1995	100	30	18	11	8	6	27
1996	100	33	15	12	8	6	27
1997	100	32	16	10	8	6	27
1998	100	31	18	11	8	6	26

Source: CBS (Statistic on Income)

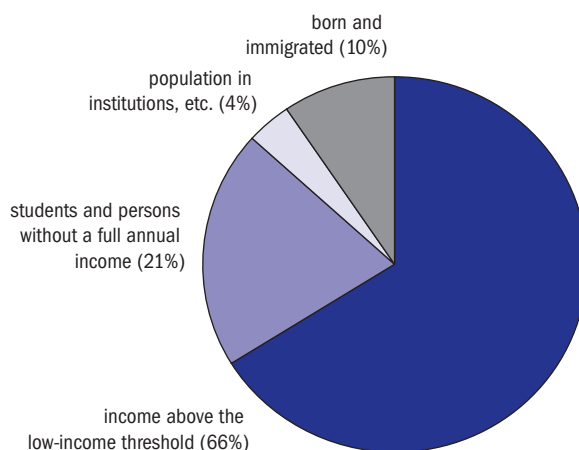
The longer someone has a low income, the greater the chance that he or she will still have a low income in the following year. Thus of those who have only had a low income for a year, around half will still be on a low income a year later. Of people who have been on a low income for five years or longer, however, around 80% will still be in this position a year later. The remaining 20% will however have left the low-income category.²

The following figures for 1997/1998 give an impression of the origin of people moving into the low-income group (inflow) and the destination of those leaving it (outflow).

Origin of the inflow into the low-income group

Of the almost 1.7 million people who had a low income at the end of 1998, 540,000 had been in a different position in the previous year. Almost two-thirds of this inflow consisted of people who in 1997 had an income above the low-income threshold (figure 7.1). The remainder consisted of people who had only been members of the Dutch population since 1998 because they had immigrated or been born in that year, and of people who were not included in the research population previously. This latter group included, for example, young people living alone who stopped receiving student grants after 1998.³

Figure 7.1 Origin of the inflow into the low-income group, 1998

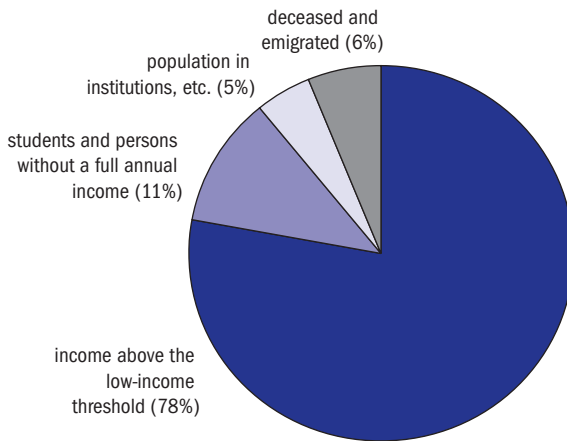


Source: CBS (Statistic on Income)

Destination of the outflow from the low-income group

At the end of 1997 more than 1.8 million people had a low income; a year later, 33% of these had left the low-income group. The vast majority of these 'escapees' (78%, see figure 7.2) saw their income improve to such an extent that in 1998 they were above the low-income threshold. The remainder of the outflow consisted of people who no longer formed part of the Dutch population because they had emigrated or died in 1998, and of people who were no longer included in the research population, for example people who entered residential homes for the elderly in 1998 and students in receipt of student grants who had left the parental home.

Figuur 7.2 Destination of the outflow from the low-income group, 1998



Source: CBS (Statistic on Income)

7.3 Background to the outflow from poverty

This section investigates which events can help a person's income improve so much that they escape from poverty. Attention focuses mainly on changes in labour market position and composition of the household. In order to increase the robustness of the analysis, only persons who have had a low income for two successive years are considered. In addition, the results relate only to persons who have been out of poverty for an extended period (at least two years) (see also Van Leeuwen and Pannekoek 2002).

Table 7.3 presents the results of a logistic regression analysis, which was used to investigate the extent to which various events determine the (long-term) escape from the low-income category. The events studied are finding paid employment by the head of the household, their partner or a child; an increase or decrease in the number of children living at home; marrying or cohabiting; divorce or death of the partner; transition to an 'other' household⁴; and the reaching of the pension age by the head of the household.

A number of background characteristics were also included in the calculations: the duration of poverty; the composition of the household; the socio-economic position of the head of the household; and the number of household members with income from employment. Allowance was also made for possible interactions between some of these background characteristics and the event that one of the family members finds paid work.

Changes in labour market position – the finding of work by the head of the household, their partner or child – were observed monthly. By contrast, the changes in household

composition were monitored only once a year, in December. Because of this, the chance of escaping the low-income group appears to be higher in December than in the rest of the year; this was corrected for in the analysis through the addition of a dummy variable 'December' and an interaction term 'December x socio-economic position of the head of the household'.

Table 7.3 Estimated parameters of the chance that in the following month, one belongs to a household not having a low income for at least one year, persons from a household with a low income for at least two years, 1991-1995^a

	β^b	significance
constant	-6.17	*
events:		
head of household finds work	6.28	*
partner finds work	2.53	*
child finds work	4.09	*
child returns to parental home; consequences for the child	4.00	*
household changes to 'other' household	3.48	*
marriage/cohabitation	3.57	*
head of household reaches the age of 65	1.22	*
poverty duration (in years)	-0.12	*
household composition:		
single person ^c	0	*
couple with no children	0.51	*
couple with children aged under 18	0.11	
couple with only adult children	0.91	*
single-parent family with children under 18	0.10	
single-parent family with only adult children	0.71	*
socio-economic position of head of household:		*
employee ^c	0	
self-employed	-0.73	*
unemployment benefit claimant	-0.04	
disability benefit claimant	0.17	
social assistance benefit claimant	-0.16	
other non-active status	0.40	
number of household members with income from employment	0.61	*
dummy variable 'December'	4.01	*
explained variance (%)	48	

a For the sake of legibility, the findings for the interaction terms are not show in the table.

b The beta indicates the strength of the correlation found.

c Reference category.

Source: CBS (IPO'89-'96) SCP treatment

Table 7.3 shows first of all that the various events investigated increase the chance of escaping from poverty: finding paid work – especially by the head of the household – increases the chance of outflow considerably, as does marrying, for example, or the reaching of the pension age by the head of the household.

By contrast, the chance of a lasting escape from poverty reduces the longer a person remains poor. Couples without children or with only adult children have a relatively good chance of escaping poverty, as do members of single-parent families with only adult children. Self-employed people appear to be able to rise above the low-income threshold only with great difficulty. Closer analysis shows that this has to do with the fact that their tax registration takes place annually; in the month of December self-employed people actually have a relatively good chance of escaping poverty, even better than that of employees (not shown in table). Finally, the chance of escaping poverty increases as the number of family members with income from employment rises.

How much greater the chance of escaping poverty is when one of the household members finds work is shown in table 7.4. The table presents the additional chance of escaping poverty on the acceptance of work by the head of the household, the partner and children, respectively, analysed by socio-economic position of the head of the household.

Table 7.4 Additional chance of escaping poverty on acceptance of work by head of household, partner or child, 1991-1995

	Increase in chance of outflow (percentage points)
head of household finds work	22
(initial) socio-economic position of head of household:	
unemployment benefit recipient	17
disability benefit recipient	20
social assistance benefit recipient	29
other non-active status	20
partner finds work	11
socio-economic position of head of household:	
employee	15
self-employed	13
unemployment benefit recipient	4
disability benefit recipient	22
social assistance benefit recipient	8
other non-active status	5
child finds work	11
socio-economic position of head of household:	
employee	17
self-employed	19
unemployment benefit recipient	5
disability benefit recipient	10
social assistance benefit recipient	5
other non-active status	17

Source: CBS (IPO'89-'96) SCP treatment

When the head of the household finds paid work, the chance of escaping poverty increases by an average of 22 percentage points. Social assistance benefit recipients derive the greatest benefit from this event: their chance of escaping poverty increases by 29 percentage points. This is hardly surprising, since (full) acceptance of work is likely to mean a considerable improvement in their income.

When the partner of the head of the household accepts work, the chance of escaping poverty increases by an average of 11 percentage points. Partners of people on disability benefit have the best chance of taking the household out of poverty by finding work (increase in chance of escaping poverty of 22 percentage points). This is because the level of disability benefit does not depend on the partner's income.

Where a child finds work, this also increases the chance of escaping poverty by 11 percentage points. This chance is greater for children from households where the head of the household also works.

In the foregoing, the focus has been on the improved chance of escaping poverty for individual households by accepting work. To what extent paid employment leads to a general reduction in poverty in the Netherlands is discussed in chapter 8.

7.4 *Poverty recidivism*

The focus in the foregoing sections was on being poor – or not – for a certain period. Persons who repeatedly move in and out of poverty were either – depending on their income at the moment considered – added to the poor or non-poor groups. As a result, ‘poverty recidivism’ received too little attention – an omission that is contestable for two reasons.

First of all, it is not necessarily the case that a continuous period of poverty lasting, say, five years within a period of ten years, is more problematic than five separate periods of poverty within the same time span, each lasting one year. An analysis by Muffels et al. (1998) based on the Socio-economic Panel Survey showed that the ‘repeatedly poor’ are virtually no better off on a number of points investigated than the long-term poor, and are sometimes worse off. For example, they have insufficient money for holidays, for entertaining family or friends in their home, and for hot meals just as often as the long-term poor. Moreover, the repeatedly poor have rent or mortgage arrears more often than the long-term poor.

Second, ‘poverty recidivists’ can experience specific disadvantages. For example, they may be wholly or partly ineligible for government provisions such as income-dependent transfers. If someone's income varies widely it is possible that, although they experience periods of poverty, taken on an annual basis their income is above the applicable income thresholds.

This section looks at the problem of poverty recidivism. The analysis aims to quantify the risk of poverty recidivism and to identify the groups with a heightened risk. The data are taken from the Income Panel Survey 1989-1997. As this database spans only nine years in the lives of the persons studied, it may be that the first observed period of poverty is not the first time that someone is poor. This also applies prospectively: the fact that someone does not experience a second period of poverty during the observed timespan does not mean that they will never end up below the poverty line again in their lives. The analysis is therefore limited to those at some risk of poverty recidivism, and focuses only on people who can be monitored for at least five years from the moment that they drop below the low-income threshold. They are then regarded as poverty recidivists if they escape from poverty within two years (outflow) but are unable to maintain this position for at least two years (recidivism). Over the nine years analysed, this group comprises around 175,000 persons.

Chances of outflow and recidivism

First of all the analysis examines the relationship between the chance of outflow and of recidivism on an individual level, by consistently monitoring the same persons. The outflow chance is calculated as the proportion of people who have entered a period of poverty and managed to escape from it within two years. The chance of recidivism is the percentage of people escaping poverty who then fall back into it within two years.

Table 7.5 shows that the chance of escaping poverty within two years averages 62%. A quarter of these 'escapees' fall back into poverty within two years. Older people occupy a special position here; as they have fewer fluctuations in their income, they find it relatively difficult to escape poverty (54% outflow), but once having escaped, they do not quickly fall back into poverty: at 15%, older people have the lowest risk of recidivism of all subgroups studied.

People from 'active' households have a good chance of escaping poverty (73%) and an average chance of recidivism (24%). The low chance of recidivism among working singles (17%) is striking. The prospects are less rosy for persons from households whose head has no income from employment: they have a relatively low chance of outflow (53%) and a relatively high risk of recidivism (27%). Single-parent families are in the least favourable position in this group: only 46% escape from poverty within two years, while almost a third fall back into poverty within the next two years (32%).

Table 7.5 Chance of outflow and recidivism, by personal characteristics at the start of the period of poverty (in percent)

	chance of outflow	chance of recidivism
total	62	25
older people ^a	54 *	15 *
singles	52	15
couple without children	56	15
head of household ^b has income from paid work	73 *	24
singles	75	17 *
couple without children	74	28
couple with child(ren)	73	26 *
single-parent family	68	20
head of household ^b has no income from paid work	53 *	27 *
singles	49 *	23
couple without children	46 *	25
couple with child(ren)	62 *	26
single-parent family	46 *	32 *
other	67	33 *

a Single persons aged 65 and over, and couples where at least one of the partners is aged 65 or over.

b The head of the household need not be the main breadwinner, since the main breadwinner can change without there being a substantial change in the household composition or income. In the case of couples, the term 'head of household' refers to the man.

* Significant difference between groups ($p < 0.05$). The significance is determined for main groups and subgroups separately.

Source: CBS (IPO'89-'97) SCP treatment

Events that increase the chance of recidivism

It became clear in section 7.3 that changes in the labour market position or composition of the household play an important role in the chance of escaping from poverty.

Table 7.6 shows which events often accompany a return to poverty.

Separation/divorce or widow(er)hood give the highest risk of poverty recidivism (40%)⁵, followed at some distance by a child leaving the parental household (25%). The chance of recidivism is also high (24%) where the head of the household ceases to receive an income from employment. And yet these two latter groups are no worse off on average than those who undergo no change in household composition or labour market position: around a quarter of this group, too, fall back into poverty within two years.

It is striking that some people (5%) fall back into poverty when the head of the household begins receiving income from employment. In slightly less than half these cases (2% of the total) this can be attributed to another event that takes place

simultaneously: the partner loses his or her income from employment or a change occurs in household composition. Moreover, obtaining income from work may coincide with the loss of other sources of income, such as benefit, or with a reduction in the employment income of other household members who decide to reduce their working hours.

Table 7.6 Recidivism by events in the first (maximum) two years of a period without poverty following a period of poverty lasting a maximum of two years (in percent)

	falling back into poverty	share of the population for whom this event occurs ^a
change in household composition		
child leaves parental home; consequences for child	18	2
child leaves parental home; consequences for parental household	25	6
child returns to parental home; consequences for child	.	0
child returns to parental home; consequences for parental home	18	2
separation/divorce/widow(er)hood	49	5
marriage/cohabitation	6	4
birth	21	6
head of household reaches age 65	7	2
partner reaches age 65	3	1
household becomes an 'other' household ^b	10	3
household is no longer an 'other' household ^b	25	4
change in labour market position		
head of household receives income from employment	5	14
head of household loses income from employment	24	12
none of these events	26	55

a All persons were analysed for whether they had experienced these events. It can of course occur that someone has experienced several events in the period considered.

b An 'other' household is one with a composition other than single person, couple without children, couple with children or single-parent family.

Source: CBS (IPO'89-'97) SCP treatment

7.5 Income mobility of successive generations

As already mentioned in the foregoing sections, the longer a person is in poverty, the smaller their chance of escaping it. If this is extrapolated to someone's entire life, it appears not unlikely that people who are confronted with poverty in their youth continue to be at higher risk of having a low income in later life. This section looks at the degree to which household income in the present generation correlates with that of the previous generation. A strong correlation would mean that the opportunities for people to move up the income ladder under their own steam are limited. This would paint a less than favourable picture for children of parents in the low-income group.

The parental setting is an important factor in explaining a correlation in income between generations. Parents with a low income have limited financial means to contribute to the costs of good education. Moreover, the education or occupation of the parents may act as an example for their children and help determine the choice of study and occupation of the children; if the parents have a lower education or occupation, this may make their children less motivated to follow a more advanced education. Finally, norms and values theoretically also play a role – both those of the parents (to what extent do they encourage their child to do better at school) and those of peers and neighbours.

The following paragraphs test the hypothesis that the chance that a person will be in a low-income household in 1998 is greater if the household income of their parents was low in 1981. If this additional chance is positive, it can be assumed that effects such as parental setting play a role.

The method

The 1998 Income Panel Survey covered approximately 230,000 persons. For almost 22,000 of these persons it was possible to trace the parental income data from 1981 and link them to their own data. To rule out potentially distorting side-effects, only parents and children were then selected who received income from employment, profit, pension or benefit for the whole year and who did not receive student finance. In addition, the children had to be aged at least 18 in 1998 and no longer be living with their parents. Following these selections, slightly fewer than 7,700 parent/child couples remained.

The low-income threshold was initially used as an indication of poverty. However, as the number of observations below this threshold was too limited for the analyses, the poverty definition was widened to include the group with a standardised disposable household income in the lowest income quintile. In total, the sample contained more than 1,500 households in each generation who could be designated as ‘poor’ using this criterion. For the sake of convenience, the incomes in the lowest quintile are described here as ‘low incomes’.

In estimating the additional chances, allowance was made for the household composition, the main source of household income, the number of household members in receipt of income, the sex of the highest-earning household member, and the country of origin of the child. All these household characteristics in 1998 were included in the model as separate independent variables and as interaction variables with the low income in 1981. In addition, the age group of both the child and one of the parents were included as independent variables.

The results

Table 7.7 shows the correlation between the chance of having an income in the lowest quintile for parents in 1981 and for their children in 1998. This shows that in 25% of cases, the children of parents with an income in the lowest quintile also had an income in the lowest quintile. The figure for children of parents with a higher income was 19%, so that the additional chance of having a low income where the parents also had a low income was 6 percentage points. This correlation between the incomes of parents and children is statistically significant.

Table 7.7 Share of households with an income below and above the 20% income threshold for two generations, 1981/1998 (in percent)

	household income in 1998	
	lowest 20% income group	highest 80% income group
household income in 1981:		
lowest 20% income group	25	75
highest 80% income group	19	81
total	20	80

Source: CBS (Statistic on Income)

Table 7.8 shows the additional chance of having an income below the 20% threshold in 1998 for various types of household, given that the parents also had an income in this category in 1981. The reference household is a male single person of Dutch origin, in waged employment, who is a single earner in the age category 30-34, and whose father or mother was in the 45-49 age group in 1981. One or two divergent characteristics are consistently imposed on this reference household in order to observe the change in the percentage of households with a low income.

Table 7.8 shows that the additional chance that the reference households will have an income in the lowest quintile if their parents also had such a low income is 7 percentage points. This additional chance is considerably higher for couples with children, at 23 percentage points. However, this only applies for single earners: if there are several income recipients, the additional chance is only 6 percentage points. The same result is found for couples without children: while single earners within this group have a relatively high additional chance of having a lower income (13 percentage points), it makes no difference for multiple earners whether or not there was poverty in the parental household.

No definitive statement can be made about the influence of sex on the additional chance of having a low income. For both singles and single-parent families, this chance is slightly greater where the household has a female head. However, it is mostly male heads of single-parent families who have a much greater additional chance of a low income compared with the reference household (single males).

Table 7.8 Additional chance of having an income below the 20% threshold if parents were in the lowest 20% income group in 1981 (in percentage points), 1998

	additional chance
household composition:	
single person ^a	7
of whom female	8
single-parent family	13
of whom female	9
couple with children	23
of whom multiple-earner	6
couple without children	13
of whom multiple-earner	0
main source of income:	
wages ^a	7
profit	16
pension (present generation 65+)	23
benefit	5
country of origin:	
Netherlands ^a	7
other Western	3
of whom couples with children	16
non-Western	7
of whom couples with children	18

a Reference household: single Dutch male, 30-34 years (reference year 1998), in waged employment, single earner, father or mother aged 45-49 (reference year 1981).

Source: CBS (Statistic on Income)

Table 7.8 also shows that the additional chance of having a low income is considerably greater where income is derived from profit or pension (16% and 23%, respectively) than for the reference household where wages are the main source of income (7%). It may be that being successful in business depends more on the income of the parents than does a successful career in waged employment.⁶ The high additional chance where pension is the main source of income could indicate that the low income of the parents has had an unfavourable effect on the wage that the current pensioner earned during their working life, which in turn has had negative consequences for the level of their pension.

The additional chance for households of having a low income where benefit is the main source of income is smaller than that of the reference household. This may be explained by the fact that benefit claimants already have a low income; the fact that their parents also had a low income in 1981 causes this group to grow only slightly (5 percentage points).

The final characteristic considered is ethnic origin.⁷ Remarkably enough, the additional chance of having a low income is no higher for single members of ethnic minorities than for an indigenous person. In the case of members of western ethnic minorities, the chance is actually significantly lower (3 percentage points), suggesting that the influence of parental income is relatively small for this group. The same conclusion can be drawn if only couples with children are considered: where the additional chance for indigenous couples with children is 23 percentage points, for members of western and non-western ethnic minorities the figures are only 16 and 18 percentage points, respectively. This suggests a stronger correlation between the incomes of two successive generations among the indigenous population than among members of ethnic minorities. It may be that children in the latter group are better able to escape from their parents' situation of deprivation than indigenous children.

7.6 Conclusions

The duration of poverty is of great importance for the general wealth of households. The low-income category is marked by a high turnover, with around 600,000 people moving into and out of poverty each year. For roughly two-thirds of people with a low income, however, the situation is persistent: they retain their low-income position for at least two successive years.

The chance of escaping from poverty grows considerably when one of the household members finds paid work. This applies particularly where it is the head of the household who accepts work: the chance of escaping poverty then increases by 22 percentage points. Changes in composition of the household, for example a marriage, can also lead to an improvement in income and therefore increase the chance of escaping poverty.

Although the majority of those escaping poverty manage to maintain their improved financial situation long-term, a quarter of them fall back into poverty within two years. Loss of a partner appears to increase the chance of recidivism particularly: almost half those escaping poverty who lose a partner through divorce or death fall back into poverty.

People whose parents had a low income around 20 years earlier have a heightened chance of having a low income themselves. The additional chance of being in the lowest income quintile is 6 percentage points. The household income of the parents is particularly important for households where the main source of income is profits from business or pension and for single-parent families and couples with children living from one income. There is thus relatively little intergenerational income mobility in these household types. By contrast, there is relatively high income mobility in households with multiple earners, households living on benefit and ethnic minority households.

Notes

- 1 In this chapter the analysis units are persons, not households. In contrast to households (whose composition can change), persons are a fixed entity. However, a person's own income is not the only factor determining their wealth position, but also the income of other members of the household. This wealth position is therefore derived from the household to which people belong. It is assumed that each member of the household shares equally in the household wealth.
- 2 Since the group with a long-term low income contains a relatively high proportion of older people, however, this outflow to some extent represents admission to nursing or care homes (so that the person concerned moves out of the research population) or death.
- 3 As indicated in section 2.5, people receiving student finance are left out of consideration in determining the poverty rate.
- 4 This may be the case when, for example, a lodger is taken in or where a person moves to a communal living group.
- 5 It may be that the chance of recidivism on divorce has been overestimated somewhat: the IPO contains no data on child support.
- 6 Taking over a family business from parents can also play a role in this context.
- 7 A person is regarded as a member of an ethnic minority (western or non-western) if at least one of his/her parents was born abroad.

8 Work and poverty^{*}

8.1 Introduction

Employment in the Netherlands grew at a national record rate in the 1990s. Between 1990 and 1998, the working labour force increased by almost a million people, a rise of 17%. The result was a rise in the net participation rate (the proportion of working people in the population aged 15-64) from 55% to 62%. Registered unemployment fell from 6% to 4%.

The government view is that employment policy is the most important means of tackling poverty in a structural way. For example, the first government under Prime Minister Wim Kok described the general employment policy as ‘the most important weapon in our armoury for fighting poverty’ (TK 1995/1996: 16), and work was described as ‘the best means of combating poverty’ (SZW 1998: 75). And yet despite the strong growth in employment, the poverty rate in the Netherlands remained virtually unchanged up to and including 1997.¹ This chapter examines how this paradoxical development can be explained.

It is understandable that work is regarded as an important means of combating poverty. After all, people in work are much less likely to be poor than non-workers. In 1997 only 7% of ‘active’ households (households where the breadwinner has an income from employment or business) were below the low-income threshold, compared with 29% of ‘inactive’ households. If the number of working or ‘active’ people increases and the number of non-working or ‘inactive’ people falls, the expectation would be a reduction in the poverty rate.

The fact that this does not turn out to be the case in practice, or at least only to a limited extent, can have several causes, some of which may be situated at the macro-level. The supposition that an increase in the share of working people in the population will lead to a reduction in the share of poor households holds only if the share of poor people stays the same among both non-workers and workers. If more people go to work and poverty among the remaining non-workers increases at the same time, it is possible for the total number of poor people to increase. It is also possible for rising employment to be accompanied by growing poverty among the working population. In that case, it once again may be that the overall poverty rate will rise.

^{*} This chapter is based on the text from the *Poverty Monitor 1999* written by P.T. de Beer (SCP).

The causes can also lie partly at micro-level, i.e. at the level of the individual households of which a member finds work. The average income of working people may be considerably higher than that of non-workers, but this does not by definition mean that a non-working person who finds work will see a big increase in their income. It may for example be the case that someone finding work earns considerably less than those already in work are earning on average. A proportion of working people are in low-paid jobs, and may find themselves below the poverty line.

This chapter explores both types of explanation for the paradox of growing employment and persistent poverty. Section 8.2 is devoted to a macro-analysis of the trend in labour participation and poverty. To achieve this, the development in the poverty rate in the period 1977-1997 is broken down into the mutation in the share of active and inactive households and the change in the poverty rate within each of these categories. These changes in the poverty rate within the group of active and inactive households, respectively, are then analysed further.

Section 8.3 focuses on the micro-level explanation, and examines the extent to which the income of poor non-working people improves (both in euros and in percentage terms) when they find work. It also explores whether the improvement in income is related to a number of personal characteristics (sex, age, position in the household, education level) and the type of work accepted (working hours, sector, occupation group).

Poverty is consistently defined as a disposable household income which lies below the low-income threshold within a given calendar year.

8.2 *Labour participation and poverty*

The fact that the sharp rise in labour participation produced hardly any reduction in poverty could be due to the fact that poverty among (persistent) non-workers and/or among workers rose at the same time. Section 8.2.1 examines how the development of poverty between 1977 and 1997 can be explained on the basis of changes in the share of workers and non-workers in the population and changes in the percentage of poor people among workers and non-workers. Section 8.2.2 presents a further analysis of the trend in the poverty rate among active households, based on household composition and the number of active persons in the household. Section 8.2.3 then sheds more light on the trend in poverty among inactive households, by mapping out changes in the size and poverty rate of different categories of benefit recipients.

8.2.1 Analysis of the trend in poverty

Suppose the share of working or 'active' people in the population grows, but at the same time the percentage of poor people in the 'inactive' population also increases. This could for example be the outcome of a policy that seeks to promote employment by cutting benefit levels in real terms. It is then possible that, despite the increasing labour participation, the proportion of poor people in the population overall grows. The same could occur if the share of poor people in the active population increases; this could arise if the growth in employment were due (partly) to a reduction in the real minimum wage coupled with strong growth at the lower end of the labour market. This could be expressed in the following formula:

$$\Delta p = - (p_i - p_a) \Delta n_a + n_a \Delta p_a + n_i \Delta p_i \quad (8.1)$$

where p is the percentage of poor people in the total population, p_i the poverty rate among inactive households and p_a the poverty rate among active households; n_i is the share of inactive households in the total number of households and n_a is the share of active households (thus $n_i + n_a = 1$). A Δ denotes a change. The change in the total poverty rate is thus equal to the change in the share of active households (in short: the participation rate) times the difference in poverty rate between inactive and active households, plus a weighted average of the change in the poverty rate among active and among inactive households. The weight of the latter is equal to the share of the categories concerned in the total population (p_i , p_a , n_i and n_a represent the average value here in the period to which the change Δ relates).

Equation (8.1) enables a decomposition to be carried out of the trend in the poverty rate in recent decades. Data for this are drawn from the Income Panel Survey (IPO) for the years 1977-1997. Table 8.1 contains the data needed for this decomposition.

Active households are defined here as households in which the main breadwinner has either profit from a business as a source of income, or whose main source of income consist of wages or other income from employment (e.g. freelance income).² If any other source of income is the largest (e.g. a social security benefit), the person in question is designated as 'inactive'.

Table 8.1 Poverty rate and population shares of active and inactive households (in percent) and changes (in percentage points), 1977-1997

	total (p)	poverty rate		share in population	
		active (p_a)	inactive (p_i)	active (n_a)	inactive (n_i)
1977	12.6	7.7	21.7	65.3	34.7
1981	13.5	8.1	22.5	62.4	37.6
1985	21.6	11.1	36.4	58.5	41.5
1989	16.7	5.9	32.2	58.9	41.1
1993	15.2	5.7	29.1	59.4	40.6
1997	15.4	6.5	29.1	60.7	39.3
changes (percentage points)					
1977-1985	+9.0	+3.4	+14.7	-6.8	+6.8
1985-1997	-5.2	-4.6	-7.3	+2.2	-2.2
1977-1997	+2.8	-1.2	+7.4	-4.6	+4.6

Source: CBS (IPO'77-'97) SCP treatment

The most striking changes in the total poverty rate occurred in the 1980s: poverty increased sharply between 1981 and 1985, before declining again in the second half of the decade. In the 1990s (up to and including 1997), the poverty rate stabilised, albeit at a higher level than at the end of the 1970s. Table 8.1 shows that the trend among active and inactive households was similar: a sharp increase in poverty in the first half of the 1980s, followed by a decline in the second half. However, there is a key difference between the two groups: whereas poverty among active households fell in the 1990s to below the level at the end of the 1970s, among inactive households the poverty rate remained substantially higher than in the 1970s.

The increase in poverty among active and inactive households in the first half of the 1980s was accompanied by a sharp drop in labour participation: the share of households with an economically active breadwinner went down by 3.9 percentage points between 1981 and 1985. This fall had in fact begun even before 1981. Despite the fact that employment rose strongly again from the middle of the 1980s, the share of active households increased only moderately in this period, going up by slightly more than two percentage points between 1985 and 1997. While the fall in the share of active households in the first half of the 1980s is one of the causes of the growing poverty in this period, the growth in the share of active persons after 1985 appears to have contributed only slightly to the decline in poverty between 1985 and 1997. This is confirmed by the figures in table 8.2, which are based on the decomposition of the poverty trend according to equation (8.1).

Table 8.2 Decomposition of the trend in the poverty rate, 1977-1997 (changes in percentage points)

	1977-1997	1977-1985	1985-1997
total	2.9	9.0	-6.2
contribution of changes in:			
poverty rate among active households	-0.7	2.1	-2.7
poverty rate among inactive households	2.8	5.6	-2.9
share of active households	0.8	1.3	-0.5

Source: CBS (IPO'77-'97) SCP treatment

The contribution of the change in the poverty rate of active households is equal to the factor $n_a \Delta p_a$ in equation (8.1); the contribution of the change in the poverty rate among inactive households is equal to $n_i \Delta p_i$; and the contribution to the change in the share of active households is equal to $-(p_i - p_a) \Delta n_a$.

Taken over the entire period 1977-1997, the increase in poverty of 2.9 percentage points can be almost fully explained by the increase in poverty among inactive households. The effects of the fall in the poverty rate among active households and of the decline in the share of active households in the total population largely cancel each other out.

It is more informative, however, to look separately at the period 1977-1985, when poverty grew and labour participation fell, and the period 1985-1997, when poverty fell and labour participation rose. Two-thirds of the sharp increase in poverty (9 percentage points) between 1977 and 1985 turns out to be due to the growing poverty among inactive households. In addition, the rising poverty among active households also contributed to the increase in the poverty rate. The fall in labour participation (i.e. the decline in the share of active households) explains only one seventh of the rise in poverty.

The reduction in poverty of 6.2 percentage points between 1985 and 1997 can also be largely (92%) explained by the fall in the poverty rate among both active and inactive households. The contribution of the rising labour participation pales into insignificance by comparison.

The above analysis is surprising in two respects. In the first place, the strong rise in employment since the mid-1980s is reflected to only a small degree in an increase in the share of active households in the population. Secondly, the contribution of the increase in employment to the change in the poverty rate in this period is negligible compared with the changes in poverty within the categories of active and inactive households. These two results are subjected to closer scrutiny below.

8.2.2 Trend in poverty among active households

Why the increase in labour participation produced virtually no increase in the percentage of active households becomes clear when looking at the figures in table 8.3. While it is true that since 1985 the total share of households with an active breadwinner has increased only slightly, a striking shift has taken place from single earners to double-earners – defined here as households in which both the head and the partner have an income from employment or business. The incomes of children are not included here. The share of single-earner couples fell between 1985 and 1997 by almost 13 percentage points, while the share of double-earners increased by just under 9 percentage points. The majority of those who went to work between 1985 and 1997 thus evidently formed part of a household in which the breadwinner was already in work, and the rise in labour participation therefore manifests itself mainly in an increase in the share of double-earners and to a much lesser extent in a decline in the share of ‘zero-earners’ (inactive households) (see § 8.2.3).

Table 8.3 Share of active households in the total number of households (in percent) and changes (in percentage points), 1977-1997

	total ^a	total ^a	single-earners			double-earners
			single persons	one-parent fam.	couples	couples
1977	65.3	47.5	6.8	0.9	38.9	17.8
1981	62.4	42.9	7.7	1.0	33.4	19.6
1985	58.5	40.3	8.9	1.0	29.7	18.3
1989	58.9	38.3	10.9	1.3	25.1	20.6
1993	59.4	34.8	12.4	1.6	19.9	24.6
1997	60.7	33.5	13.8	1.7	16.9	27.2
change 1977-1997 (percentage points)						
1977-1985	-6.8	-7.2	+2.1	+0.1	-9.2	+0.5
1985-1997	+2.2	-6.8	+4.9	+0.7	-12.8	+8.9
1977-1997	+5.4	-14.0	+7.0	+0.8	-22.0	+9.4

a Including ‘other households’, the share of which is not reported separately.

Source: CBS (IPO’77-’97) SCP treatment

Whether the growth or shrinkage of a particular category contributes to the increase or decrease in the total poverty rate depends on whether the poverty rate within that category is above or below the average. If a certain category numbers relatively few poor households, then growth (shrinkage) of this category will lead to a fall (rise) in the average poverty rate. If, by contrast, the category contains an above-average number of poor households, then growth (shrinkage) of the category will contribute to an increase (reduction) in the average poverty rate.

The development of the poverty rate among active households can be broken down into a number of components in a similar way to the poverty rate among the population as a whole. Table 8.4 shows the outcome of such a decomposition based on household composition and the number of earners per household.

Table 8.4 Decomposition of the trend in the poverty rate among active households, 1977-1997 (changes in percentage points)

	1977-1997	1977-1985	1985-1997
total active households	-1.2	3.4	-4.6
contribution of changes in the poverty rate of:			
single persons	0.7	0.3	0.3
single-parent families	0.3	0.1	0.1
single-earner couples	-1.5	3.3	-3.6
double-earner couples	0.2	0.2	-0.1
other	0.0	0.1	-0.1
contribution of changes in the population share of:			
single persons	0.3	0.0	0.1
single-parent families	0.2	0.0	0.2
single-earner couples	-0.4	-0.3	-0.6
double-earner couples	-0.8	-0.3	-0.8
other	0.0	0.0	0.0

Source: CBS (IPO'77-'97) SCP treatment

The trend in the poverty rate among active households between 1977 and 1997 turns out to be determined mainly by the poverty rate among single-earner couples and by the share in the population of single-earners and double-earners. Since poverty is relatively high among single-earner couples (compared with the average of all active households) and poverty among the double-earners relatively low, both the decrease in the share of single-earners and the increase in the share of double-earners have the effect of reducing the prevalence of poverty among active households.

In the period 1977-1985 the growing poverty among active households was attributable almost entirely to the increase in poverty among single-earners. At the same time, the shrinkage in the share of single-earners and the growth in the share of double-earners had a slight mitigating effect on the overall increase in poverty. The fall in poverty among active households in the period 1985-1997 is again largely explained by the development of poverty among single-earners, which more than halved in this period, from 16% to 7%. In addition, the decline in the share of single-earners and the strong growth in the share of double-earners also made a substantial contribution to the reduction in poverty among active households.

8.2.3 Trend in poverty among inactive households

The trend in the poverty rate among inactive households can also be analysed in more detail. In table 8.5 a distinction is made between different types of benefit, with the (main) benefit received by the main breadwinner determining the category into which a household is placed.⁴

Table 8.5 Share of inactive households in the total number of households, by age and benefit of the highest-earning partner (in percent) and changes (in percentage points), 1977-1997

	total ^a	< 65 years				≥ 65 years
		total ^a	social assistance or unemployment benefit	disability benefit	pension	
1977	34.7	13.3	3.1	5.0	4.1	21.4
1981	37.6	15.8	4.4	6.0	4.4	21.8
1985	41.5	20.2	7.9	5.7	5.3	21.3
1989	41.1	19.3	7.6	5.3	5.6	21.8
1993	40.6	18.3	7.4	5.0	5.2	22.2
1997	39.3	16.7	6.9	4.5	4.8	22.6
changes						
(in percentage points)						
1977-1985	+6.8	+6.9	+4.8	+0.7	+1.2	-0.1
1985-1997	-2.2	-3.5	-1.0	-1.2	-0.5	+1.3
1977-1997	+4.6	+3.4	+3.8	-0.5	+0.7	+1.2

a Including 'others', the share of which is not reported separately.

Source: CBS (IPO'77-'97) SCP treatment

Between 1977 and 1985 the share of all types of benefit in the total population increased; the strongest rise was in social assistance and unemployment benefits (4.8 percentage points), followed by pensions for persons aged under 65 (in particular early retirement pensions, up 1.2 percentage points). The relatively slight fall in the share of inactive households after 1985 must be ascribed mainly to the reduction in the share of social assistance, unemployment and disability benefit recipients in the total population.

The influence of the growth and shrinkage in the various benefit categories on the poverty rate of the total group of inactive households also depends on the relative poverty rate within each of those categories. Poverty among recipients of social assistance or unemployment benefit is very high (72% in 1997). Moreover, on balance the poverty rate among this group did not fall after 1985. Growth in the number of social assistance benefit recipients and unemployed consequently makes a major contribution to an increase in the average poverty rate. Poverty among disability

benefit recipients also showed no net decrease after 1985, so that the poverty rate in this group, at 31%, is now slightly higher than the average for all inactive households (29%). The most favourable development in poverty was among pensioners; pensioners aged under 65 comparatively seldom belong to the poor, though the poverty rate in this group did increase slightly in the 1990s, reaching 9% in 1997. Among the over-65s, the poverty rate fell sharply from 31% in 1985 to 20% in 1997. Growth in the share of pensioners therefore tends to reduce the total poverty rate among inactive households.

Like table 8.4, table 8.6 presents a decomposition of the poverty trend, this time among inactive households.

Table 8.6 Decomposition of the trend in the poverty rate among inactive households, 1977-1997 (changes in percentage points)

	1977-1997	1977-1985	1985-1997
total inactive households	7.5	14.7	-7.2
contribution of changes in the poverty rate of:			
social assistance and unemployment benefits	3.4	3.4	0.3
disability benefits	2.3	2.4	0.1
pension	-0.5	0.0	-0.5
other under-65s	-0.3	-0.6	0.0
65-plus	-0.1	6.3	-6.3
contribution of changes in the share in the population of:			
social assistance and unemployment benefits	3.0	3.1	-0.6
disability benefits	0.1	0.0	0.1
pension	0.0	-0.1	0.1
other under-65s	-0.3	0.0	0.0
65-plus	0.2	0.3	-0.4

Source: CBS (IPO'77-'97) SCP treatment

The increase of 7.5 percentage points in the poverty rate among inactive households in the period 1977-1997 is largely explained by the rise in poverty among recipients of disability and social assistance/unemployment benefits, and also by the growth in the share of households in receipt of social assistance or unemployment benefit. The effect of changes in the poverty rate and the population share of the other categories is of minor importance. If the periods before and after 1985 are considered separately, however, the picture changes.

The strong growth in poverty among inactive households between 1977 and 1985, with a rise of 14.7 percentage points, was largely (80%) the result of the rising poverty rate within the different categories of benefit claimants, while 20% of the increase was due to shifts between the categories. In particular the rise in poverty among the over-65s, social assistance benefit recipients, the unemployed and those on disability benefit contributed to the rise in the overall poverty rate. The increase in the share of people on unemployment and social assistance benefit also explains a substantial part of the increase in poverty in this period. The reduction in poverty among inactive households between 1985 and 1997 is due almost entirely to the improvement in the incomes of the over-65s; the effect of changes in the poverty rate within other groups of inactive households, or of changes in the population share of different benefits, is negligible by comparison.

In conclusion, it can be stated that changes in the share of poor people in the population are determined primarily by changes in the poverty rate within different population categories. Changes in the relative size of those categories, i.e. in the composition of the population, have a rather small effect on the overall poverty rate in most cases.

8.3 Does work pay?

This section investigates at the micro-level whether finding work offers benefit recipients with a low income an escape route from poverty.⁵ Not only is the income in the first (full) year in which a person works considered, but also their income in subsequent years. Attention is also focused on the question of how much a person's income improves if they find a job and stay in work for several years.

It is conceivable that benefit recipients who go back to work only see a substantial improvement in their income after a number of years. The percentage of this group who rise above the low-income threshold could therefore be larger after a few years than in the first year. As the low-income threshold in the mid-1990s ranged between 10% and 30% above the statutory minimum income level, depending on the recipient's living situation, it is possible that finding work brings a reasonable improvement in income without taking the recipient above the low-income threshold. For individual persons or households, however, the low-income threshold has no real meaning, whereas an increase in income of, say, 20% clearly does.

In order to be able to provide a general answer to the question of whether finding work is financially worthwhile, this section looks at how much – in percentage and euro terms – the income of poor adults who find a job improves in the first and subsequent years they are in work. The question is then no longer primarily whether or not they escape from poverty (i.e. exceed the imaginary low-income threshold), but whether and to what extent their financial position improves through working. The second

question to be answered is which background characteristics correlate with this improvement in income. Are there substantial differences in the income improvement provided by work between men and women, between young and old, between single persons and cohabiting partners, between the well and poorly educated? The characteristics of the work people find may also be important: how does the income improvement correlate with working hours (full-time or part-time), the sector of work and the specific occupation?

To answer these questions, a longitudinal dataset was used from the Income Panel Survey (IPO) for the years 1989-1997. As the IPO contains no data on education level, working hours, sector and occupational group, a number of additional analyses were carried out with the Socio-Economic Panel (SEP), using data for the years 1989-1996. All income data relate to real amounts, expressed in 1990 price levels.

Below, a general picture is first presented of the wages earned by poor people who find work and the chance that they will escape from poverty in the first eight years that they are (continuously) in work (§ 8.3.1). Also this section maps out the difference in income development between job-finders who escape from poverty and job-finders who do not. Section 8.3.2 answers the question of which categories of poor job-finders benefit most from finding work. Finally, in section 8.3.3 the focus switches to the factors that may explain differences in pay between poor job-finders.

8.3.1 What income gains does working provide?

Table 8.7 shows how much poor people who find work earn gross in the calendar year that they find work and in subsequent years if they remain in work. Year 0 can be any of the calendar years from 1989 to 1996 inclusive, while year 1 can be any calendar year between 1990 and 1997 inclusive. For years 2, 3 and so on, one calendar year is deducted; thus year 8 relates exclusively to 1997; these are persons who were still poor and without work in 1989, who found work in 1990 and who remained in work in all subsequent years, so that 1997 was the eighth year in which they had been working.

In the year in which people start work, their gross income from employment averages EUR 5,800 (1990 price levels). This amount may seem small, but it must be borne in mind that people are usually actually at work for only part of the calendar year in which they find work.⁵ In the second calendar year the income from employment of those who remain in work accordingly rises sharply, going up 45% to EUR 9,300.⁶ Despite this, the average income from employment in the second year is still well below the statutory minimum income for an adult with a full-time job, which varied in the period studied (1990-1997) from EUR 10,800 to EUR 11,800 (1990 price levels). The explanation for this may lie in the fact that a proportion of those who find work have part-time jobs, and that a lower minimum wage applies for young people (under 23 years).

The income from employment continues to increase in the third and subsequent years that people are in work, albeit considerably less rapidly than in the second year. After four years the average wage rises above the statutory minimum wage for the first time.⁷ If people are still working after eight years, their income from employment is almost two and a half times as high as in the first year, and one and a half times as high as in the second year. It is then 33% higher than the minimum wage.⁸ In assessing the effect of finding work on a person's income position, therefore, it makes a great deal of difference whether only the income in the year that a person finds work is considered, or whether later income improvements are also taken into account.

Table 8.7 Income development, source of income, socio-economic category and poverty rate of poor people who find work^a, 1989-1996 (in percent, unless stated otherwise)

	year 0	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8
real gross income from employment (x € 1,000 ^b)	0.0	5.8	9.3	10.4	11.6	12.3	13.1	13.1	14.5
change compared with preceding year ^c (%)			45	4	2	2	4	-3	4
income source(s)									
wages	0	13	43	53	60	63	66	67	74
wages + benefit	0	80	50	39	33	29	26	23	18
other	100	8	7	9	7	9	9	10	8
poor	100	57	40	32	27	19	17	14	10
continuously in work ^d	0	100	80	66	58	53	49	46	45
non-poor and continuously in work ^{d,e}	0	43	47	45	42	43	41	40	41
n (= 100%)	(1,769)	(1,769)	(1,234)	(863)	(589)	(449)	(328)	(197)	(108)

a Single persons, heads of households and partners aged 18-64 who belong to a poor household in year 0 and have no income from employment. In year 1 and subsequent years they do have income from employment or business.

b 1990 price levels.

c Change in income from employment of persons who were in work in the year in question and the preceding year. Thus the fall of 3% in gross income from employment in year 7 relates to the 197 persons who were working in both year 6 and year 7.

d As a percentage of the group who found work in year 1.

e Calculated as $(100 - \text{poor}) \times \text{working} / 100$.

Source: CBS (IPO'89-'97) SCP treatment

The fact that someone goes to work does not necessarily mean that wages form their sole source of income. In many cases during the year in which they find work people will also be receiving some type of benefit (for the non-working period). In addition it is possible for people to earn a wage and receive benefit simultaneously, for example

if their wages are not enough to take them above the (previous) benefit level. People may also top up their income from waged employment with self-employed or freelance work, from which they will not receive a wage but profit, for example. Table 8.7 indicates people's sources of income in the (maximum of) eight years from the year that they find work. In the first year only 13% of job-finders have wages as their sole source of income; the vast majority (80%) receive both benefit and wages in that year, while 8% have another source of income, such as profit. Although the share of job-finders who are in receipt of benefit in addition to wages in the subsequent years declines steadily, a third are still receiving both benefit and wages after four years, as does almost a fifth after eight years. A substantial proportion of poor people who find work thus continue to rely on benefit for a considerable period. These may be persons who have received benefit for part of the calendar year in question (e.g. because of short-term unemployment) or persons who received a (partial) benefit throughout the entire year in addition to their wages.

Table 8.7 also shows which proportion of job-finders succeed in escaping from poverty. In the year in which people find work, the figure is less than half (43%). That this percentage is not higher can be explained among other things by the fact that the majority of people finding work continued to rely on benefit for part of the year, so that in this first year they were not yet earning sufficient to take them above the poverty line. In line with this reasoning, in the second year – at least if people remain in work – 60% have already succeeded in moving above the low-income threshold. This figure continues to rise steadily in the ensuing years: after four years almost three-quarters of those who find work have escaped from poverty, and after eight years nine out of ten are in this position. Whether or not finding work also means an escape from poverty is thus determined not only by the wage people earn in their first year, but also by whether they remain in work in the ensuing years, and whether their income continues to rise. It could even be argued that *staying* in work is a more important condition for rising above the poverty line than simply finding work.

By no means every poor person who finds work remains in work for an extended period, however. As table 8.7 shows, a sizeable proportion of poor people who find work lose this job at some point. As early as the second calendar year, the number of working people reduces by 20%, and a considerable proportion also stop working in the ensuing years, so that after eight years fewer than half (45%) of the original job-finders are still in work. Persons who stopped work in an earlier year and then started again later are left out of consideration here; if these people are included, the share of working people stabilises after four years at around 70% (not in table). This means that slightly under half the poor people who find work remain in employment for an extended period; the rest are without work for half the time on average. It is worth mentioning, however, that job-finders who remain in work in all years may also experience short periods of inactivity.

If the percentages of working people who manage to escape from poverty are combined with the percentages of job-finders who remain in work, the share of poor people who move above the poverty line thanks to their finding and retaining work stabilises quite quickly at just over 40% (see next to bottom row in table 8.7). While the percentage of working people above the poverty line continues to rise with the passage of time, the share of job-finders who remain in work declines at about the same rate. This does not mean that all the others remain in or fall back into poverty, but to the extent that they escape from poverty this is not *because* they have found work but *despite* the fact that they do not continue working (permanently).

Whether or not someone climbs above the poverty line may be a matter of just a few euros. It is thus possible that the improvement in income for those who do rise above the poverty threshold is only slightly more than that of those who remain poor. The distinction between the two groups would then merely be the result of a fairly arbitrary division of the group of job-finders on the basis of the low-income threshold. In reality, however, the differences in pay and standardised household income between poor and non-poor job-finders do turn out to be very considerable. Table 8.8 compares the average wage and income of job-finders who rise above the poverty threshold with that of job-finders who remain poor. The first group earn almost three times as much as the second group in the first year in which they find work, and the average standardised household income of the non-poor is more than one-and-a-half times as high in the first year as that of those who remain poor. Some of this difference in the first year may be caused by the fact that those who escape from poverty find work at the beginning of the calendar year while those who remain poor only find work later in the year. In the second calendar year, however, this difference is no longer relevant. Nonetheless, those in work who have climbed above the low-income threshold still earn an average of 72% more in the second year than the working poor, while the difference in household income between the two groups is slightly greater than in the first year. While the poverty line itself may be rather arbitrary, therefore, very real income differentials occur within the group of job-finders.

Table 8.8 Income from employment and household income of poor job-finders^a, by poverty in the year that they are in work, 1989-1997 (x € 1,000^b)

	year 1		year 2	
	poor	not poor	poor	not poor
gross income from employment	3.0	8.7	7.6	13.2
standardised household income	5.9	9.1	5.8	9.9
(n)	(689)	(383)	(142)	(263)

a Single persons, heads of households and partners aged 18-64 who belong to a poor household in year 0 and who neither themselves nor their partner have an income from employment. In year 1 and subsequent years they do have income from employment but their partner does not. The household composition and the income of any children remain unchanged.

b 1990 price levels.

Source: CBS (IPO'89-'97) SCP treatment

8.3.2 *Who escapes poverty via work?*

Table 8.8 showed that there are wide mutual differences between job-finders in the wages they earn and in the income improvement the work produces. This section looks more closely at which categories of poor people benefit most and which benefit least of finding work. Since the Income Panel Survey (IPO) contains information only on sex, age and position in household, only the influence of these factors can be outlined in table 8.9.

Men who find work earn a considerably higher gross wage in the first year than women. This applies above all for 'heads of households'. Male family heads earn more than twice as much as female heads of household. The difference is less pronounced between male and female singles. Among men, the somewhat older age groups (from 35 years) earn the most in the first year, while for the women it is the younger age groups (under aged 25) who have the highest earnings. In the second year of work, the pay differentials between men and women are much smaller, as are the differences between the different age categories of men.

The differences in standardised disposable household income diverge in several respects from the differences in gross incomes from employment. Older job-finders (aged 45 and over) are found to have the highest household income in the year that they find work, although the women in this group actually earn relatively little. This means that a larger proportion of the gross wage earned by the over-45s is reflected in net household income than in the younger age categories. This can be explained by the fact that the former relatively often receive benefit (e.g. disability benefit) from which (supplementary) income from employment is not, or only partially, deducted. In the subsequent years the household income of older job-finders (especially men) rises less strongly than that of younger job-finders.

Heads of households, especially females, retain comparatively little of their wage increase. By contrast, single persons see a fairly considerable improvement in their income.

The differences in standardised household income are reflected in the poverty rates. Men, older people and single persons escape from poverty relatively frequently, whereas heads of households often remain poor. This difference becomes greater after several years of working: after three years in work only 39% of male heads of households have managed to climb above the poverty line, whereas the figure for single persons is no less than 85%. A qualification must be applied here that these figures relate only to heads of households whose partner does not have or find work and where the income of any children does not increase. Nevertheless, it can be concluded from this that it is difficult for poor families to escape from poverty if only one of the partners finds work. In many cases they only rise above the low-income threshold when both partners are working, in other words by becoming double-earners.

Table 8.9 Real gross income from employment, standardised disposable household income and poverty of poor job-finders^a, by sex, age and position in the household^b, 1989-1997 (in 1990 price levels, unless stated otherwise)

	real gross income from employment (x € 1,000)			real standardised household income (x € 1,000)			poor (in %)			
	year 1	year 2	year 3	year 0	year 1	year 2	year 3	year 1	year 2	year 3
total	5.0	11.2	12.4	5.5	7.0	8.4	9.3	64	35	26
men	5.9	11.6	12.4	5.4	7.2	8.5	9.4	60	37	23
18-24 years	5.7	12.0	13.1	4.1	7.0	8.7	9.4	60	46	24
25-34 years	5.5	11.2	12.4	5.7	7.0	8.4	9.6	63	39	22
35-44 years	6.4	11.8	13.6	5.6	7.3	8.7	9.6	61	35	21
45-64 years	6.4	11.9	10.3	5.0	7.5	8.4	8.8	53	30	28
single person	5.6	11.4	12.3	5.7	7.4	8.8	9.8	54	28	15
head of household	6.7	12.4	13.2	4.8	6.6	7.7	7.8	74	72	61
partner	-	-	-	-	-	-	-	-	-	-
women	3.9	10.6	12.3	5.8	6.8	8.3	9.0	70	32	29
18-24 years	4.4	9.7	12.1	5.3	6.5	7.6	9.0	73	45	33
25-34 years	4.0	11.6	12.1	5.9	6.9	8.5	8.6	68	29	36
35-44 years	3.8	10.3	12.0	5.9	6.6	8.2	9.3	72	27	25
45-64 years	3.4	9.6	13.3	5.7	7.4	8.8	9.7	64	24	8
single person	4.5	10.8	12.4	5.7	7.2	8.7	9.4	60	24	26
head of household	3.1	10.0	-	5.9	6.3	6.7	-	83	56	-
partner	3.1	-	-	5.3	6.0	-	-	88	-	-

a Single persons, heads of households and partners aged 18-64 who belong to a poor household in year 0 and who neither themselves nor their partner have an income from employment. In year 1 and subsequent years they do have income from employment but their partner does not. The household composition and the income of any children remain unchanged.

b The personal characteristics relate to the situation in year 0.

- Fewer than 10 observations.

Source: CBS (IPO'89-'97) SCP treatment

8.3.3 What explains the wage earned?

Table 8.9 shows that there is a clear correlation between the wage earned by different categories and the improvement in household income. However, the table provides no insight into the causes of the differences in income from employment. The amount a person earns is determined partly by the number of hours they work per week; this could for example explain the difference in wages between male and female job-finders, since Dutch women work part-time much more often than men. Other personal characteristics, such as education level, can also influence the level of wages, as can characteristics of the work found, such as the sector of work and the specific occupation. As the IPO survey contains no information on these background characteristics, a number of supplementary analyses were carried out with the help of

the Socio-Economic Panel (SEP), which does provide these data. Owing to the much smaller sample in the SEP, the degree of uncertainty in these analyses is greater, so that there is little to be gained from presenting detailed findings.⁹ Broadly speaking, however, the expectations are confirmed: men work almost twice as many hours per week on average as women (37 versus 20 hours), largely explaining the difference in male and female wages. Notwithstanding, the gross hourly pay of men is also a third higher than that of women. Education level also has a major influence on wages; the hourly wage earned by people with a high education level (university or higher professional education graduates) who find work is roughly double that of 'unskilled' workers (persons who did not complete a full-time education beyond elementary level). Moreover, the better educated work more hours per week on average than the poorly educated (32 versus 28 hours), so that the difference in their monthly wage is even greater. Wages also correlate closely with the type of occupation: the hourly rates earned by a job-finder in an academic or management occupation are almost double the hourly rates in a service-providing occupation. As people working in an academic or management occupation are mostly employed full-time, and most people in service-providing occupations have small part-time jobs, the monthly wage of the first group is no less than three times as high as that of the second group. Education level and occupational group are of course closely related. Thus poor job-finders with an academic or management occupation are almost all highly educated. Further analysis using multivariate regression shows that both characteristics exercise an independent influence on (hourly) pay. Among men, however, the influence of the occupational group proves to be greater than that of education level.

Pay differentials also exist between sectors, though these correlate mainly with differences in working hours. Thus job-finders in 'other service-provision' (public and quaternary sectors) earn a quarter less than those working in business services (transport, communications, banking and insurance), but this difference is explained entirely by the fact that those in the 'other' services sector more often work part-time.

The SEP also allows the increase in wages in the second year of work to be examined more closely. This increase in pay is largely explained by the fact that people on average work for more months in the second (calendar) year than in their first year of work. In addition, in the second year, they start working one hour per week longer on average. Their real hourly wage remains, however, virtually unchanged. Differences in the development of hourly pay appear to correlate mainly with age; in the second year, the hourly rate of job-finders aged around 40 rises most, while younger and older job-finders see less improvement. Other characteristics of the persons concerned or their work appear to have virtually no influence on the increase in pay.

8.4 Conclusions

Why did the strong growth in employment in the 1990s lead to virtually no reduction in poverty in the Dutch population? This chapter seeks an explanation for this paradox from two perspectives. At *macro-level* the strong rise in labour participation from the mid-1980s onwards is found to have made only a small contribution to reducing poverty. The reason for this is that the growing employment resulted in only a small increase in the share of households with an economically active breadwinner. This is explained by the fact that most of the new jobs were taken by people who were members of a household which already had an active (= working) breadwinner. In other words, the increase in employment has led mainly to a strong growth in the share of double-earners and a reduction in the share of single-earners. The share of 'zero-earners' (households with no economically active breadwinner) has fallen only slightly. As the difference in the share of poor people between single-earners and double-earners is much smaller than that between single-earners and zero-earners, a shift from single-earners to double-earners produces only a slight fall in *overall* poverty. On balance, the trend in the poverty rate *within* the group of economically active people, and above all *within* the group of inactive people, proves to be much more important in explaining changes in poverty than the development of employment.

This chapter then looks at the extent to which finding work helps individual poor people to escape from poverty. At *micro-level* it is found that, long-term, finding work offers a route out of poverty for only a minority. Two out of five poor job-finders manage to climb permanently above the low-income threshold – a sizeable group, but smaller than might be hoped in the context of the active labour market policy. Two reasons can be given for this: one in ten job-finders are still below the low-income threshold after several years, and more than half of the job-finders are out of work again after a certain time. *Staying in work* is thus at least as important for escaping from poverty as *finding work*. With this in mind, attention in an employment policy aimed at combating poverty at *micro-level* needs to be focused on *permanent activation*: not simply helping poor benefit claimants to find work, but also seeking to prevent them losing their job again after a certain time.

Notes

- 1 The declining poverty rates in the period 1998-2002 (cf. chapter 3) are not considered here, as the main focus is on explaining the combination of growing labour participation and rather stable poverty rates that occurred earlier.
- 2 The reason that profit need not be the main source of income for being regarded as active is that this type of income often fluctuates widely, and can sometimes be negative. If the main source of income is taken as a criterion, a self-employed person who in a given year receives a negative income from business alongside a small but positive income from other sources, would incorrectly not be regarded as self-employed.
- 3 Social assistance benefits and unemployment benefits have been merged in this and the following tables, because legislative changes have led to an 'artificial' shift between the two categories of benefit in recent years. For example, in 1987 the Unemployment Benefits Act (wwv), which had previously been classed with social assistance, was included in the revised Unemployment Insurance Act (ww), and in 1996 the Special Government Scheme for the Unemployed (rww), which had been classified with unemployment benefits, was absorbed by the revised Social Assistance Act (abw).
- 4 The population of non-working poor is consistently defined as follows: persons aged 18-64 who are either the head of a household (including single persons) or a partner of the head, whose disposable household income is below the low-income threshold and who neither themselves nor their partner (where present) have performed paid work in the calendar year in question. Households where the main breadwinner is a student or has received income for less than 52 weeks are left out of the analyses.
Because poverty is measured at household level, it may occur that someone escapes from poverty because one of the other household members finds work. In order to correct for effects such as this, the analysis (with the exception of table 8.7) is limited to persons whose partner (where present) neither has nor finds work, and whose children (if any) have not experienced any change in income.
- 5 If the moment at which the non-working poor begin work were to be spread evenly over the year, and they were to remain at work for the rest of the year, they would perform paid work for an average of six months in the year.
- 6 The change appears to be 60%, i.e. $(9,300 - 5,800)/5,800 \times 100\%$. However, the average income from employment of those who are still working in year 2 amounts to EUR 6,400 in year 1 rather than EUR 5,800, so that the improvement in their income is 'only' $(9,300 - 6,400)/6,400 \times 100\% = 45\%$.
- 9 The data for the fourth year in which people work relate to the years 1993-1997. During these years the real minimum wage was lower than EUR 11,600 (1990 price levels).
- 10 The data for the eighth year relate only to 1997, when the minimum wage was EUR 10,800 (1990 price levels).
- 11 By combining the SEP surveys from 1989 to 1996 inclusive, the wages of a total of 265 poor respondents who find work can be analysed. The hourly pay is calculated on the basis of information provided by respondents on their annual pay, the average number of months worked and their weekly working hours. Since the information on working hours relates to a single point in time, namely

the month of October in which the surveys were carried out, the hourly pay can only be calculated approximately. It is possible that the working hours did not remain the same throughout the entire year. Consequently, the data on hourly pay have a high margin of error.

9 Income-dependent provisions, the poverty trap and non-take-up*

9.1 Introduction

Some social security provisions are supplementary in nature. This means that they do not cover loss of income, like unemployment or disability benefit, for example, but are intended to help meet specific costs. They are often subject to a means test and can therefore also be referred to as ‘income-dependent provisions’. The main provisions of this type in the Netherlands are housing benefit, one-off social assistance and remission of local authority levies. Insert 9.1 provides a brief description of each of these provisions.

Insert 9.1 Income-dependent provisions

Housing benefit

Housing benefit was introduced in 1975 to help tenants with a low income and relatively high housing costs. Entitlement to housing benefit is established on the basis of the taxable income in the preceding year. A maximum income threshold applies, above which there is no eligibility for this benefit. Recipients also have to pay a contribution themselves (‘norm rent’), which rises with income and rent (the ‘quality forfeit’). The benefit amounts are laid down in benefit tables which differ depending on the household type. In the mid-1990s, for example, there were separate tables for single-person and multiple-person households for each of three age groups (young people up to 23 years, 23-64 year-olds and the over-65s).

One-off social assistance

One-off social assistance concerns payments made by municipalities to people who find themselves in particular circumstances and are unable to meet the costs involved. The payments may be a contribution to the costs of moving house or of equipping a new home, a contribution to the costs of dental care or spectacles, or help in repaying debts. One-off social assistance may also contribute to the costs of vocational studies and retraining. In some cases, the benefit is paid in periodic instalments.

* This chapter is based on texts from the *Poverty Monitor 1997* and *Poverty Monitor 2001*. The contributions from SCP were written by E.J. Pommer, I.L. Ooms, J.M. Wildeboer Schut and J.C. Vrooman. The contributions from CBS were written by L. Trimp.

Remission scheme

Households with limited income can be exempted from the payment of local authority levies such as water rates, property tax and waste levies. Only households with no payment capacity and with small assets are eligible for such remission. The payment capacity of the household is determined on the basis of the disposable household income, with the social assistance norm amount being exempted. Contents of the home and the car are left out of the asset test, provided each is worth not more than EUR 1,360. In addition, in the case of the over-65s a further EUR 2,270 of financial resources are left out of the test. If there is a positive payment capacity, 80% of it is taken into consideration for the payment of the taxes; the household is exempted from the payment of any remaining tax payable.

Housing benefit is the most important of these income-dependent provisions, both in terms of the size of the group receiving it and as regards the amount of benefit (see table 9.1).

Table 9.1 Size of the user group of income-dependent provisions, average amounts and total amounts, 1999 (in numbers and euros)

	number of users (x 1000)	average amount (euros)	total amount (x € million)
housing benefit	1,087	1,,300	1,413
one-off social assistance	267	650	174
remission	385	325	125

Source: CBS (2003); CBS (IPO'99 and Statistic on Recipient of Social Assistance); COELO/CBS (IPO'99) SCP treatment

Theoretically there are two objections to income-dependent provisions. First, there is a relatively high chance that people who are entitled to benefit will not be able to make good their claim. This is partly because these are supplementary provisions: it is easier to miss out on remission of local levies, for example, than general disability benefit. The complexity of the schemes also plays a role, as does the fact that claimants have to apply for the provisions themselves and that the benefits are means-tested.

In addition to the problem of non-take-up, these provisions can also exacerbate the 'poverty trap'. This occurs when an improvement in income due to accepting work is partly or entirely cancelled out by loss of entitlement to income-dependent benefits. Paid work then may become a financially unattractive prospect.

This chapter looks at both these problems – the influence on the poverty trap and non-take-up. The discussion focuses on the main income-dependent provision, namely housing benefit.

9.2 The poverty trap and housing benefit: size and effects on labour participation

A fair amount has been written on the way in which the combination of benefits and income-dependent provisions can cause a poverty trap (e.g. Allers and Den Heeten 2000; SZW 2000). Empirical research on the extent to which the poverty trap operates in practice is however fairly scarce. This section looks for an answer to the question of how many households are potentially affected by the poverty trap and which population groups are concerned. It then goes on to investigate whether the poverty trap does indeed hold back labour participation.

9.2.1 How many households are confronted with the poverty trap?

A poverty trap arises when benefits and income-dependent provisions make it financially unattractive for people in a household with a low income to accept work. Based on data from the Income Panel Survey (IPO), an estimate will be made here of the number of households to which this situation potentially applies. The following criteria will be applied:

- the income of the household is below the low-income threshold; and
- the main source of income of the main breadwinner and partner (where present) is social assistance, unemployment or disability benefit.

For a single-person household the additional condition applies that:

- the household receives housing benefit.

For a single-parent family the additional condition applies that:

- the household receives housing benefit, one-off social assistance or remission of local levies.

Persons in receipt of social assistance or unemployment benefit are relatively susceptible to the poverty trap, since they lose all or part of their benefit if they accept work. The situation for recipients of disability benefit is more complex, since some of them will be prevented from working by their health problems. Others however will – eventually – be able to return to work, and it is then that the poverty trap can manifest itself. For this reason, people who are unfit for work are counted here among the households at risk of being caught in the poverty trap.

Whether or not the poverty trap manifests itself partly depends on the composition of the household. The risk for single-person households is relatively small. The social assistance benefit (including municipal supplementary allowance, see insert 2.1 in chapter 2) for this group is 30% below the net minimum wage; only if there is a major loss of income from income-dependent provisions, accepting a full-time job will not result in an improvement in income. At the very least, the person concerned must be in receipt of housing benefit for this to apply; therefore, only single persons receiving housing subsidy are included among the households at risk of the poverty trap.

The social assistance benefit (including supplementary allowance) for single-parent families is generally 10% below the minimum wage. Here, income-dependent provisions quickly lead to a risk of the poverty trap. One-parent families whose main breadwinner is on benefit are included among the households at risk of the poverty trap if they are in receipt of at least one of the three provisions considered here.

For married couples, the social assistance benefit is roughly equal to the net minimum wage. Even if they are not in receipt of income-dependent provisions, a job at minimum wage will produce few financial benefits; income-dependent provisions only make the poverty trap deeper. All married couples where the main breadwinner and partner are in receipt of benefit or have no income are therefore included among the households at risk of the poverty trap.

Households which meet the above conditions are not by definition in a poverty trap situation from which they cannot escape. A proportion of the unemployed people could for instance find work which produces an income that is considerably higher than the minimum wage. The financial means of the household can rise in such cases even where it is in receipt of income-dependent provisions.

The potential size of the poverty trap

Of the almost seven million households in the Netherlands in 1999, 850,000 had a low income.¹ More than half a million of these households derived their income mainly from wages or pension. These households are not regarded as being in a poverty trap situation. In 326,000 households, the main breadwinner or their partner was in receipt of social assistance, unemployment or disability benefit; these households are therefore potentially at risk of the poverty trap (see table 9.2).

Table 9.2 Households by composition, income situation and take-up of income-dependent provisions, 1999 (in numbers x 1,000)

	total	households with low income						
		of which receiving benefit						poverty trap situation
		with income-dependent provision						
		total	total	total	total	one-off housing benefit	social assistance	
total	6868	850	326	286	238	127	176	267
single-person household	2362	453	166	141	110	54	94	110
youngest child < 6 yrs	91	52	40	38	34	20	23	38
one-parent family, youngest child ≥ 6 yrs	167	69	48	46	43	26	25	46
couple without children	1998	112	35	28	23	9	17	35
couple, youngest child < 6 yrs	720	73	18	17	14	10	10	18
couple, youngest child ≥ 6 yrs	591	47	13	11	10	6	5	13
other household	939	45	6	5	4	2	1	6

Source: CBS (IPO'99)

The majority of households with a low income from benefit make use of income-dependent provisions. Housing benefit is the most common: in 1999 over 70% of the households with income from benefit were receiving this. Half the households were exempted from local levies while over 40% received one-off social assistance. 286,000 of the 326,000 households were receiving a least one of these benefits.

Of the 166,000 single-person households on benefit, 110,000 receive housing benefit. Only the latter group are regarded as households with a risk of falling into the poverty trap. Of the 88,000 single-parent families, 84,000 receive at least one of the three income-dependent provisions considered, putting them at potential risk of the poverty trap. The same applies for all other households receiving benefit, regardless of their take-up of income-dependent provisions.

In total, the classification chosen puts 267,000 households at risk of the poverty trap. Table 9.3 shows that in three-quarters of cases these were households in receipt of social assistance benefit. There are few households in receipt of unemployment benefit; in 1999 they accounted for approximately 5% of households at risk of the poverty trap. In one in five households at risk of the poverty trap the main source of income was disability benefit. For an unknown number of these households, however, accepting work is not an option, and it is therefore questionable whether these households can justifiably be regarded as at risk of the poverty trap. If these households are left out of consideration, 213,000 households remain in a poverty trap situation.

Table 9.3 Households at risk of the poverty trap by composition and type of benefit, 1999 (numbers x 1,000)

	total	social assistance	unemployment benefit	disability benefit
total	267	199	14	54
single-person household	110	83	4	24
one-parent family, youngest child < 6 yrs	38	35	1	2
one-parent family, youngest child ≥ 6 yrs	46	42	1	2
couple without children	35	14	5	16
couple, youngest child < 6 yrs	18	15	1	2
couple, youngest child ≥ 6 yrs	13	7	1	5
other household	6	3	1	3

Source: CBS (IPO'99)

Single-parent families accounted for a substantial proportion (84,000) of the households at risk of the poverty trap. Far and away the largest share of these families were social assistance benefit claimants. Most of the 110,000 single-person households at risk of the poverty trap were also on social assistance benefit, though a sizeable number

were on disability benefit. The other types of household have a much lower risk of being caught in the poverty trap. In the case of couples without children the figure was 35,000, while for couples with children 31,000 households were at risk.

It can be concluded that the poverty trap is a quantitatively important phenomenon. In 1999 almost a third of households with a low income had few or no financial incentives to seek work, partly as a result of their receipt of income-dependent provisions. Whether they are in fact less inclined to participate in the labour market is the subject of the following section.

9.2.2 Does the poverty trap present an obstacle to labour participation?

In general, accepting or not accepting paid work depends on the earning capacity (determined for example by education level), restrictions within the household (such as the presence of young children) and preferences regarding employment, free time and income. A key point for policy is whether or not the poverty trap influences the decision to accept or decline paid work as well.

Not all people will be put off by the poverty trap from swapping their benefit for income from employment. In addition to material considerations focused on the short term, there may be all sorts of long-term considerations which influence a person's decision on whether or not to make the transition to paid employment. It is therefore of interest to investigate the influence of the poverty trap on this decision. The analysis is limited here to persons in receipt of social assistance or unemployment benefit. Furthermore, only housing benefit is included in the calculations.

The analysis looks at the degree to which housing benefit influences the decision on whether or not to accept paid work. This requires a dataset which enables the time dimension to be mapped out clearly, something which is only possible using panel research. In addition, of course, relevant labour market characteristics are needed, and the database must contain sufficient relevant respondents. Unfortunately, there are no databases that fulfil all these criteria.

The correlation between the transition from not working to working and the take-up of housing benefit is therefore first analysed on the basis of the Socio-Economic Panel Survey (SEP), though with around 5,000 households the database for this panel survey is not very large. In addition, a model is estimated on the basis of the Housing Needs Survey (WBO), which to a certain extent enables the disincentive effect of housing benefit to be determined. The WBO contains a large number of variables relating to income, rent and housing situation. It involves more than 50,000 respondents, but is not a panel survey.

Housing benefit and the probability of transitions to work

The editions of the SEP covering the period 1995-1999 enable the transitions from benefit to paid work to be analysed. The analysis is based on heads of households who in a given year are in receipt of unemployment or social assistance benefit, and who are in a household whose composition has not changed in the ensuing year.²

The presence or absence of the transition from benefit to paid work can be explained by receiving or not receiving housing benefit and by other characteristics which may be relevant for entering the labour market. The preferences of the households concerned play an important role here, as do their labour market qualifications, labour market opportunities and restrictions ensuing from the household situation. Indicators were sought for all these factors:

labour motivation:	actively seeking work
employment qualifications:	education/training level
employment opportunities:	age and subjective likelihood of finding work within a year
restrictions:	caring for children in the family (household composition).

These characteristics are related in table 9.4 both with work transitions and receiving/not receiving housing benefit.

Table 9.4 Number of unemployed and social assistance benefit recipients who are in paid work one year later^a, by various personal characteristics and receipt/non-receipt of housing benefit, 1995-1999 (in percent)

	share	in paid work the next year		total
		no housing benefit	housing benefit	
age				
16-29 years	14	69	26	54
30-44 years	37	56	17	31
45-64 years	49	17	9	13
household type				
single person	41	38	12	23
couple with children	16	49	30	43
single-parent family	23	25	12	14
other	20	31	18	29
education level				
low	43	45	31	37
medium	36	50	38	47
high	21	49	40	47
has actively sought work				
no	11	31	9	16
yes	89	37	15	27
self-estimated chance of work				
low	90	31	12	21
high	10	75	44	65
total	100	37	14	25

a Heads of households, 18-64 years (n = 958).

Source: CBS (SEP'95-'99) SCP treatment

A considerably larger share (37%) of unemployed persons and social assistance benefit recipients with no housing benefit are in paid work a year later than their peers with housing subsidy (14%). This finding suggests that housing benefit keeps them in a poverty trap. Other labour market-related factors could however be (partly) responsible for this. For example, the table shows that a person's chances of finding work are relatively worse if they are older and have a lower education level. If these persons are also mainly housing benefit recipients, this could distort the relationship between housing benefit and work. The labour market opportunities of single-parent families are also relatively poor, probably because of their strong focus on the family. In addition, the lion's share of unemployed persons and social assistance benefit recipients report that they have been actively seeking work (89%) which correlates positively with finding work, but also that they generally assess their chances as low (90%). If they assess their chances as high, this proves to be a very good predictor for their

actual chance of finding paid work (65% find work, compared with 21% with a low assessment).

It is striking that the correlation between receiving/not receiving housing benefit and finding/not finding work is retained within all other characteristics. It is only weaker for the characteristic 'education level', which could indicate that the correlation between housing benefit and working operates partly through education level. In order to obtain the best possible picture of the direct relationship between housing benefit and working, the effects of common explanatory factors must be eliminated.

Table 9.5 presents the results of a multivariate analysis involving all labour market characteristics mentioned. The analyses were also carried out separately for unemployed persons and social assistance benefit recipients. The coefficients shown are odds ratios, which show the deviation from an average probability of 1. A ratio of 0.40 for housing benefit recipients thus means that the relative probability of being in paid employment a year later is 60% $((0.40-1.0) \times 100\%)$ lower than for those not in receipt of housing benefit. Conversely, the relative probability that people with a secondary or higher education level will find work is 95% higher than among the poorly educated $((1.95-1.0) \times 100\%)$.

The table shows that the housing benefit effect, and thus the poverty trap, remains after introduction of the other labour market characteristics of the persons concerned, albeit only for the social assistance benefit recipients (and the total group). The labour market orientation of the persons concerned may play a role here. This orientation is likely to be greater among the unemployed than among social assistance benefit recipients because the former have until recently participated in the labour market. An indication for this is the fact that the housing benefit effect is significant when unemployed persons whose main activity – in their own view – is paid work, are left out of consideration. Although this is a small category, it is one that influences the outcome of the analysis.

The housing benefit effect for social assistance benefit recipients is considerable, even if allowance is made for other labour market characteristics. Their chance of being in paid work a year later is 76% lower if they receive housing benefit than if they do not. This is an indication for the operation of the poverty trap for social assistance benefit recipients.

Table 9.5 Determinants which explain the chance that unemployed persons and social assistance benefit recipients will find paid work, 1995-1999 (in odds ratios, logit model)^a

	characteristic of person	reference category	unemployed	soc. ass. benefit recipients	total
housing benefit	recipient	non-recipient	–	0.24	0.40
age	30-44 years	18-29	0.32	–	–
	45-64 years	18-29	0.09	0.35	0.16
household type	single person	couple with children	0.45	–	0.46
	one-parent family	couple with children	–	0.35	0.36
	other	couple with children	–	–	0.51
children 0-5 years	present	absent	–	0.37	–
	education level	secondary	–	–	–
	higher	elementary	1.95	–	–
other income	absent	present	–	0.52	–
seeking work	actively	non-actively	–	–	–
chance of work	optimistic	pessimistic	3.56	5.13	3.68
main activity	working	not working	2.40	2.72	2.62
unemployed last 5 years	more than 12 mths.	less than 12 mths.	0.59	–	0.60
R ² -ML			0.24	0.34	0.28
n			398	560	958

a Statistically corrected for the double occurrence of the relevant population in the panel.
 --: not significant (5% level).

Source: CBS (SEP'95-'99) SCP treatment

Earlier analysis has also shown that housing benefit has a significant influence on the duration of unemployment and thus on the (re-)entry of benefit recipients to the jobs market (Groot and Jehoel-Gijsbers 1989). This reinsertion chance was found to depend not only on whether or not someone was in receipt of housing benefit, but also on the amount of that housing benefit. The following analysis also takes account of the level of benefit.

Housing benefit and the decision (not) to participate

Another way of gaining an insight into the relation between housing benefit and working is by explicitly modelling the decision on whether or not to participate in the labour market, including the effect of housing benefit. Here, an attempt is made to estimate a simple participation model based on the Housing Needs Survey (WBO) from 1998/1999.

The relevant population for determining the effect of housing benefit on the decision to accept work comprises non-workers (with or without housing benefit) aged 18-64 years. The implicit assumption in the approach followed is that non-workers are the same as working people as regards non-observed characteristics. For a true estimate of the housing benefit effect, therefore, the possibility must be ruled out that a factor not included in the model is responsible for the fact that some people work and others do not, and that that same factor is also responsible for the fact that some people receive housing benefit while others do not. It is not simple to rule out such endogeneity, however, and a model was therefore estimated which takes account of this.

The best way of circumventing the problem of endogeneity of housing benefit in the decision to accept or not to accept work is through the instrumentation of housing benefit. This can be achieved by first estimating a reduced form equation for the receipt or non-receipt of housing benefit, incorporating as many relevant characteristics as possible, and then estimating the participation decision. Using an estimation technique it is possible to determine for each main breadwinner from the relevant population how high housing benefit would be if the person concerned were to work and how high it would be if they did not work. The difference between these two situations, the 'housing benefit differential', then plays a role in the comparison to explain the participation decision.

The correlation between housing benefit and participation is not a simple one: the causality works in two directions. A simple model such as that described here does not cover this mutual causality adequately, but can still give an indication of the relationships and suggest directions for further research.

In estimating the model, cases were selected that satisfied two criteria: they had to be tenants living independently, and belong to households with a main breadwinner younger than 65.

Table 9.6 shows the results of the analysis. The coefficients indicate the marginal effect of a variable with respect to zero; a negative value denotes a smaller chance of working while a positive value indicates a greater chance.

The table relates to working/not working by the main breadwinner of a household. The coefficient for the housing benefit differential for working and not working shows the effect of the poverty trap. This effect is negative, suggesting that an increase in the difference in housing benefit between working and not working has a negative influence on the chance of participation.

The other variables included in the model also play a role, however. For example, people with a higher education level work more often than the poorly educated, while persons aged up to 50 work more often than the over-50s. Single-parent families have a smaller probability of being in paid work than single persons and couples. Households in (highly) urbanised areas are found to have a smaller chance of having a working main breadwinner than households in other areas. Having an income not related to the labour market, finally, has a small negative influence on the chance of participation.

Table 9.6 Influences on participation decision, 1998

variable	characteristic of person	reference category	parameter value	t-value
household type	single person	one-parent family	0.28	4.4
	couple with/without children	one-parent family	0.42	8.4
education level	middle or high	low	0.20	5.8
age	18-29 years	50-64	0.06	1.1
	30-49 years	50-64	0.37	7.7
urbanisation	strong to very strong	not strong	-0.36	-9.8
housing benefit differential			-0.12	-32.2
non-employment income			-0.05	-3.8
R ² -ML			0.53	
N	13,610			

Source: CBS (WBO'98) SCP treatment.

The negative effect of the housing benefit differential appears to suggest that the poverty trap resulting from housing benefit is indeed reflected in people's behaviour. More in-depth analysis would be needed to be able to make definitive statements on this: it is possible that this effect is explained by the existence of a common factor. However, this can only be resolved if a large panel is available in which many characteristics of the potential labour force are included.

9.3 Non-take-up of housing benefit

Despite the fact that housing benefit is a generally known provision which – probably – has little stigmatising effect, there are indications of high rates of non-take-up. In 1989/1990 27% of tenants received no housing benefit at all even though they were entitled to it, while a further 23% received too little housing benefit (Vrooman and Asselberghs 1994). This high level of non-take-up may be related to the complexity of the scheme, the presence of a means test and the fact that clients have to apply for the provision themselves.

Non-take-up of housing benefit occupies an important place in the causal chain that leads to poverty. Not only does housing benefit help to mitigate the housing costs of tenants with a low income, but it is also often used to repair purchasing power that has been eroded by retrenchment measures.

Here, figures are presented on the extent of non-take-up of housing benefit. Also, the background to this non-take-up is investigated, as well as its relevance for poverty. The analysis is based on data from the Housing Needs Survey (WBO) 1993/1994. In order to determine the non-take-up, the entitlement to housing benefit was simulated as accurately as possible for every tenant in the database. Next, the extent to which benefits actually received correspond with the simulated entitlements was explored.

Table 9.7 presents an overview of the extent of non-take-up of housing benefit in 1993/1994. Complete non-take-up occurs where the tenant is entitled to housing benefit but receives no benefit at all, while partial non-take-up occurs if the tenant receives less benefit than he or she is entitled to. In the latter group a distinction can be made between cases where the amount of benefit received deviates only slightly (maximum 3%) from the amount to which the recipient is entitled, and cases where the discrepancies are larger.

As the table shows, the database used contained over 23,000 tenants, just under 9,000 of whom were entitled to housing benefit. Almost a third (32%) of these entitled households received no benefit whatsoever, however, costing them an average of EUR 874 per annum. More than a fifth (21%) of entitled households did receive benefit, but the amount deviated by more than 3% from the amount to which they were entitled according to the benefit tables. This partial non-take-up group missed out on an average of EUR 333 per year. Finally there is a small number of households (3%) who received benefit that deviated to a lesser extent – EUR 27 per year on average – from the amount to which they were entitled according to the applicable criteria.

Table 9.7 Extent of non-take-up of housing benefit within total tenant population, 1993/'94

	number	%	average shortfall in housing benefit (euros)
total number of households in rented dwelling	23,497		
entitled	8,744	100	
complete non-take-up	2,838	32	874
partial non-take-up			
more than 3% deviation	1,810	21	333
less than 3% deviation	256	3	27
changes which increase entitlement ^a	614	7	
no non-take-up	3,226	38	

a E.g. a drop in income, moving house, transition from children's to adult benefit tables.

Source: WBO'93/'94

For the complete non-take-up group, the analysis investigated possible correlations with a number of background characteristics. First of all a correlation was found with the amount of benefit: the smaller the amount to which a person is entitled, the more non-take-up is found. The year in which the entitled recipient moved into their present dwelling is also important: the longer someone has lived in a home, the greater the chance – in percentage terms – of complete non-take-up. An explanation for this finding may be that the person concerned initially had no right to housing benefit and later became entitled without being aware of this. Possibly connected with this, the age of the head of the household also plays a role: the percentage of complete non-take-up is considerably higher among the over-65s than among 25-40 year-olds (38% versus 20%).

A breakdown by main source of income of the head of the household suggests that only 10% of recipients of social assistance benefit do not take up housing benefit. This indicates that municipal social services play a role in identifying non-take-up. However, the rate of non-take-up is high among people who have taken early retirement (67%) and among wage-earners and recipients of surviving dependant's pension (both 45%). The rate of complete non-take-up is also above-average among people on disability benefit and old-age pensioners (34% and 38%, respectively).

Non-take-up of housing benefit and poverty

To what extent non-take-up of housing benefit is relevant for poverty is first investigated on the basis of the question of whether the non-take-up group are overrepresented within the population of poor households. Attention then turns to whether these 'non-users' of the provision would move to a higher income bracket if they did make (full) use of their housing benefit entitlement.

An answer to the first question indicates the degree to which non-take-up of housing benefit should be regarded as a risk factor for poverty. Those not using their housing benefit entitlement can be regarded as a risk group if their share within the poor population exceeds their share in the total population. Table 9.8 indicates the extent to which different types of tenant – the total group, those entitled to housing benefit and the partial and complete non-users – are overrepresented within the poor population. A distinction is made between households with an income below 95% of the statutory minimum income, households with an income of between 95% and 105% of this threshold, and those with an income above the social policy minimum (who are therefore not classed as poor). The table shows the ratios of the share of the various types of tenants within each of these three income categories to their share in the total population. A ratio greater than 1 denotes an overrepresentation, while a ratio of less than 1 indicates underrepresentation.

Table 9.8 Overrepresentation and underrepresentation of various types of tenants within the poor population according to the social policy minimum, 1993/'94 (ratios)

	income < 95% of minimum income	income 95-105% of minimum income	income above social policy minimum
all tenants	1.4	1.9	0.9
entitled to housing benefit	3.5	4.5	0.5
non-take-up of housing benefit	4.4	4.5	0.4
complete non-take-up	5.1	3.0	0.4

Source: WBO'93/'94

Table 9.8 shows that the group 'all tenants' is slightly underrepresented among households with an income above the social policy minimum (ratio = 0.9). In the two lower-income groups, tenants are overrepresented: there are almost twice as many tenants (1.9) around the social policy minimum as in the population as a whole, while the group below the social policy minimum contains 1.4 times as many tenants.

Since housing benefit is an income-dependent provision, it is not surprising that the differences in overrepresentation and underrepresentation are considerably more marked among those entitled to the benefit. At around the social policy minimum, for example, there are 4.5 times as many tenants with an entitlement to benefit as in the population as a whole. Similar results are found for the complete and partial non-users of housing benefit: they are also found significantly more frequently within the poor population than among the population at large.

The question of what share of non-users would move to a higher income group if they were to make full use of their right to housing benefit is answered in table 9.9. This table shows that around 45% of those not using their housing benefit entitlement would move from an income of less than 95% of the minimum income to an income around this threshold. Just under 10% would actually move up two income classes and join the non-poor population. Of the group with an income around the social policy minimum, almost three-quarters (72%) would enjoy an income above this poverty threshold if they were to make full use of their entitlement to housing benefit.

Table 9.9 Transition percentages for complete non-users of housing benefit entitlement from their present situation to full take-up, 1993/'94

	income groups on full take-up of housing benefit		
	< 95% of minimum income	95-105% of minimum income	above social policy minimum
income groups in present situation:			
< 95% of minimum income	46.1	44.6	9.3
95-105% of minimum income		28.0	72.0
above social policy minimum			100

Source: WBO'93/'94

These findings suggest that non-take-up of housing benefit occupies an important place in the causal chain leading to poverty. More than half those making no use whatsoever of their entitlement to housing benefit would move to a higher income bracket if they were to receive the benefit to which they are entitled.

The foregoing analyses show a fairly high rate of non-take-up of housing benefit by tenants (table 9.7). When first released, these findings helped to prompt a political and social debate on the non-take-up of housing benefit. Among other things the government organised a round-table meeting with experts from within and outside the field, and came up with a plan of action to combat the non-take-up.

The question is whether this subsequently has led to a reduction in the non-take-up of housing benefit. Information on non-take-up in the years after 1993/1994 is fairly fragmented; it is however possible to look at the developments at macro-level. Engbersen et al. (2000) concluded that from 1996 onwards the percentage of households with a low income had fallen and that rent increases had levelled off somewhat. All other things being equal, these two developments would lead to a reduction in the number of people entitled to housing benefit. Since the number of recipients of housing benefit actually increased, it was regarded as probable that the rate of non-take-up had declined since 1996.³

Exploratory research by Statistics Netherlands (CBS 1999) based on figures relating to the benefit period 1997/98 reveals a lower rate of non-take-up than that found for the years 1993/94. Use was made here of a link between the Regional Income Survey (which is based among other things on fiscal information and data from the housing benefit records) and the Rents Survey (*Huurenquête*). The use of administrative data enables both income and rent to be measured more accurately than the analyses based on the WBO. The non-take-up according to this survey was between 15% and 23%.

For later years (up to and including 2000) this analysis was replicated on a limited scale, and produced a non-take-up figure of around 19%.⁴ Closer examination, however, shows that this result cannot be generalised to the entire population of tenants. The Rents Survey is based on an address sample. Tenants who have come to live during the course of the year at an address that is included in this sample are included in the Rents Survey with a delay of one year. People who have moved to an address that is not in the sample disappear from the Rents Survey. Both groups may have had to reapply for housing benefit. In addition, people with an income for less than 52 weeks were left out of consideration. These figures may include newly formed households, which may be eligible for housing benefit. For both groups it is possible that the non-take-up rate is higher than among tenants in the address sample in the Rents Survey. In other words, the non-take-up based on this analysis may be underestimated.

Based on the analyses performed to date, the conclusion must be that the measurement of the non-take-up of housing benefit requires further refinement. The macro-approach produces ambiguous conclusions, and the linkage of information from tax and administrative records with data from the Rents Survey also fails to offer a definitive answer. What does appear clear is that the non-take-up of housing benefit according to both measures, however fallible, is still substantial; a non-take-up figure of around 20% may indicate a lower limit. Further research into the non-take-up of housing benefit and other income provisions will be needed in the future to offer more clarity concerning the exact percentage. SCP is currently conducting a pilot study to ascertain the feasibility of such a new project.

9.4 Conclusions

Income-dependent provisions are important on the one hand as an income support instrument, but on the other hand may trap people in poverty, thus posing an obstacle to labour participation. In 1999 almost 270,000 households were at risk of the poverty trap.

Social assistance benefit recipients who also receive housing benefit, the most important income-dependent provision, are found to be less inclined to participate in the labour market. The chance that they will be in paid employment a year later is 76% lower than that of social assistance benefit claimants without housing benefit.

Moreover, this probability reduces further as (for non-workers) the amount of housing benefit received increases.

A different policy issue is that of the non-take-up of income-dependent provisions. Data from 1993/1994 show that more than half the tenants who were entitled to housing benefit received too little or none at all. At the end of the 1990s the rate of non-take-up appeared to have declined, but still affected at least 20% of tenants.

Notes

- 1 This number is not the same as in chapter 3 (table 3.1). This is because the present text is taken from the *Poverty Monitor 2001*; when this was written, the poverty figures for 1999 had not yet been definitively established.
- 2 Only in households with an unchanged composition, the presence of a non-working head of household in one year and a working head in the following year means that the head of household has accepted work. In other cases, for example where a single-parent family has changed in the next year into a couple with children, it may be that the working head of the household is new in the household but was already working in the first year.
- 3 This line of reasoning cannot necessarily be taken at face value, however. Although the increase was less steep, average rents still increased, which in theory leads to a larger number of people entitled to housing benefit. It cannot be deduced from the macro-figures whether the fall in the percentage of low incomes (with a lower number of entitled households as a result) offset this. The observed increase in the number of people taking up housing benefit may consequently also be a result of a larger group of entitled households.
- 4 In 1998 the rate of non-take-up, allowing for margins of error, lay between 13% and 25%; in 1999 it was between 14% and 22%.

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