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Participate or Sink. Threshold Equality Behind the Dykes

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Abstract

The report 'From Sharing to Earning', published in 1997 by the Netherlands Scientific Council for Government Policy (WRR), may be regarded as representative of recent thinking on social policy reform in the Netherlands. It argues that it is both feasible and desirable to preserve the existing structure and levels of social benefits, and to maintain those levels over time, on condition that labour participation is increased durably over the next decades. To achieve this, the Council's recommended policies of active integration and *supplementation* aim at establishing a close link between social security implementation and labour market entry, in a contractual model of 'benefit trajectories'. These attempt to match the general rights of benefit-holders by a tailor-made specification of their work and training duties. In this article, the normative foundations of 'From Sharing to Earning' are analysed in terms of an egalitarian work ethic, in close connection with the economic reasoning underlying the drive for raising labour participation. I then argue that the recommended policies may fail where they are most needed. To successfully (re-)instate those who are far removed from the labour market may require adopting policies that provide some measure of unconditional security in the form of person-centered subsidies.

1 Introduction

The title of this article is not intended to suggest advance criticism of the official report under consideration below. It aims to convey a preoccupation, on the part of the authors of the report, with keeping the Dutch welfare state intact, through vigorous efforts to raise labour participation. This article aims to identify and discuss dominant strands in policy thinking on the normative foundations and sustainability conditions of the welfare state in the Netherlands during the last decade. Particular attention is paid to a series of well-articulated reports by the Netherlands Scientific Council for Government Policy.¹ My focus will be on the most recent of these reports, which was published in 1997. This work is entitled 'From Sharing to Earning' (WRR 1997). It deals with social security in the next century.

Briefly, the report states that it is both desirable and economically feasible, in the face of internal and external policy constraints, to preserve the current structure and levels of social benefits and to maintain these levels over time, by means of the wage-indexation mechanism that has been in force in the Netherlands since the late 1960s. However, the desirability and feasibility of this objective depend crucially upon the government's capability and political will to engineer an increase of labour participation, that is to say raise the number of hours actually performed by the population of working age.

In sections 2 and 3, I analyse the economic and moral reasoning behind this dual claim on desirability and feasibility. The policy recommendations of the Council that follow from it are discussed in section 4. In a nutshell, the recommended measures involve efforts to tailor the duty to work of individual social security claimants, within existing legal entitlements to benefits, in such a way that both the supply of and the demand for their productive effort will be raised. The supply-side measures, which are subsumed under the label of *active integration policy*, consist of schooling and investment in human capital aimed at increasing the qualifications, skills and mobility of the unemployed. The demand-side measures – called *supplementation policy* – consist in allowing certain categories of the lower-skilled to enter the labour market at wages below the statutory minimum wage, and supplementing their earnings up to the social minimum, which in the Netherlands is linked in principle to the minimum wage, net of taxes.² Both sets of measures are to be combined with the creation of subsidized jobs in the public and private sector to ensure increased outlets for labour participation. To the extent that this strategy of participation should fail, the report concludes, it would ultimately be necessary to accept a different policy model, called *entitlement policy*. This model accepts a welfare system with a structurally lower level of the minimum wage, and hence of benefit entitlements, and could well lead to an increase of poverty, according to the Council (WRR 1997: 148-9).

In section 5, finally, I offer some remarks on the moral principles underlying the report (as these have been identified in section 3). In commenting on some difficulties in successfully implementing the recommended mix of policies, I suggest that there may be better ways of accomplishing the objective of preserving a decent welfare state, along lines that have been discussed within sections of the political left in the Netherlands. However, such reform proposals will not stand a chance of being considered among policymakers unless the tense determination to raise labour participation in the narrow sense of paid work – as exemplified by 'From Sharing to Earning' – can be somewhat relaxed.

It should be explained, at this point, why I think it is important to focus specifically on the views of the Council in 'From Sharing to Earning', rather than simply presenting an overview of governmental stances on social policy, and of what different political parties, trade unions, employers' organizations

or social movements have to contribute in the debate on the future of social security in the Netherlands. I see two reasons for concentrating attention on the report.

First, as I said above, my general aim is to identify the dominant mode of thinking among policy-makers about the problems of the Dutch welfare state. During the nineties, the Council has had a strong influence in shaping the framework of political discourse within which actual policies and reform proposals have been discussed.³ This framework is perhaps best summed by a popular image of comparison: the main challenge is to find an alternative for the Anglo-American model, which can not avoid the evil of the *working poor*, and for the traditional Rhineland model, which does not succeed in matching a decent level of income guarantees with sufficient employment opportunities (WRR 1997: 139).⁴ The reform proposals in 'From Sharing to Earning' may be considered as a systematic search for such an alternative in the context of the Dutch institutional setting.

The second reason for concentrating on the report is that the straightforward way in which the Council has conducted its search for a third type of social model allows one to identify underlying foundational assumptions on the normative principles of social provision. I believe these normative foundations to be of wider significance in the debate on welfare state reform at the turn of the century. In section 3, therefore, I shall offer an interpretation of the goals of 'From Sharing to Earning'. Very roughly, I aim to show that the report is motivated by a kind of 'labourist egalitarian justice': it aims to preserve a decency threshold of social security so that equal opportunities are approximated with achieving outcomes that are said to matter crucially to people's well-being and agency, mainly income and access to the immaterial benefits of paid work. The flip side of this kind of egalitarianism is that the implementation of rights to the decency threshold needs to be acutely sensitive to the duties of claimants. Such duties mainly consist of taking an active responsibility for the use of one's capacities to be self-sufficient on the labour market.⁵

At first sight, such an explicit normative reading of what is essentially a policy-oriented document might appear to be overly high-minded. However, the Council's explicit views on justice in 'From Sharing to Earning' are combined with a healthy dose of pragmatism. For instance, the report's aim to safeguard a decent income threshold over time is not only a matter of social justice (or, as the Dutch are more fond of saying, of a 'civilized society'). It is also, and perhaps even more importantly, a matter of dynamic efficiency, of seeking to preserve the potential for growth and innovation in the long run, and of allowing industries to adapt competitively to the demands of technological restructuring (WRR 1997: ch. 2 and 6; Sociale Nota 1996: 11-15). Likewise, the report's stress on reinstating the unemployed, reintegrating the (very numerous) disabled in the work process whenever possible, and reducing

incentives to taking early retirement, is not merely explained by the Council's views on the immaterial benefits of doing paid work: it is first and foremost motivated by the wish to meet the economic necessities of an adequate benefit standard in a society with a rapidly ageing labour force. These economic issues set the stage for the report, and will be addressed in the next section.

2 Inclusive participation as economic necessity

The Dutch economy has performed impressively over the last couple of years. Given the so-called 'Dutch miracle' (for an extensive analysis of the reforms see Visser & Hermerijck) it is not really surprising that the 'spectre of globalization' was not considered to be all that much of a threat by the Council, at least not for the time being. In fact, 'From Sharing to Earning' notes that the economic performance of the last ten to twelve years in the Netherlands has been marked by a growth in employment above the European Union average, as a result of wage moderation, cuts in government spending and taxes, as well as some deregulation of the labour market allowing for more flexibility in wage differentials (WRR 1997: 18). Only in recent years has this caused unemployment to start decreasing, as the growth of labour supply (due to the catch-up entry of women in the market) began to slow down, and demographic shifts started to be felt.

According to the Council, these recent developments constitute a limited but nevertheless significant 'breathing space' for the Netherlands to pursue its own objectives in the field of social security in the European arena. It urges politicians to use the window of opportunity at a time where the social policies of EU member states are expected to remain largely autonomous under the 'principle of subsidiarity'. Rather than speculating on the possibility of a competitive bidding down of EU social security provisions (the 'race to the bottom'), the crucial question is whether Dutch politics will be prepared to make use of its current comparative advantages to create the sustainability conditions for "a relatively generous welfare state, as one of its cultural traditions" (WRR 1997: 19). This is surely a rather optimistic statement of the problem on the part of the Council. However, this optimism is accompanied by stern warnings to act swiftly before it is too late.

As mentioned briefly above, ageing is one of the most pressing problems in the Netherlands. Between now and the year 2010, the percentage of over 45s in the potential labour force will rise from 34% to 42%, which involves a corresponding rise in the incidence of becoming disabled. This will drive up the social contributions under the Disability Act for wage earners (WAO). And, from 2010 onwards, as the babyboomers reach retirement age, the proportion of over 65s is expected to rise from 13% in 1991 to anywhere

between 20% and 26% in 2035. As a result, the ratio of social security recipients to wage-earners, the so-called 'inactive-active' ratio (including within the 'inactives' all recipients of the universal state pension) will rise sharply over this period, at roughly 40%, due to the demographic shift alone (WRR 1997: 35-37 and Fig. 2).

Since the share of *social security transfer expenditure* in national income is the product of the *inactive/active ratio*, the *benefit/wage ratio* and *the share of wages in national income*⁶, this estimate does not bode well for the burden of social security on the finances. For as the Council notes, the objective of maintaining a 'relatively generous welfare state' implies that over time, the benefit/wage ratio should be kept constant, in order to preserve both the prospects of social security recipients of working age and the contract of solidarity between the young and the aged.⁷ Under the constraint of a constant benefit/wage ratio, then, the share of transfer expenditure, and hence its financing burden, will rise proportionally with the inactive/active ratio, assuming that the share of wages in national income remains unchanged. This last assumption, however, could well be too optimistic. For, if due to labour scarcity induced by ageing, wages per unit of labour were to be bid up at a rate exceeding the growth of labour productivity, then the wage share would actually rise. Given a constant wage/benefit ratio, this would of course add to the increase in the share of social security transfers. But, even discounting such an indirect effect of the demographic shift, the above reasoning shows that the tax burden of social security may be expected to grow considerably in the next century, as a result of the expected rise of the inactive/active ratio.

This is where external constraints of both global market competition and inter-European competition for advantageous tax regimes enter the equation of sustainability. Both of these would seem to make it more difficult to raise the public finance for supporting the Dutch welfare state. In the opinion of the Council, however, a one-sided focus on the burden of taxes and social security contributions is a mistake. It is essential, it says, to take account of the microeconomic gains to be had from upholding decent levels of social benefits over the whole lifetime (the formative, working and retirement phases) of individuals. If one seriously expects the working population to meet the demands of an increasingly dynamic labour market, as it must, then it becomes clear that an adequate level of social security serves to facilitate the qualities of adaptation: risk-taking, engaging in training on the job, and flexibility of task performance both within the firm and between employers (WRR 1997: 39, 67).⁸ Moreover, as has been often noted in discussions of the 'Dutch miracle', the willingness of unions to moderate wage claims and avoid strikes, and thus to promote a stable investment climate, largely depends on their expectation that the government remains committed to a decent level of social protection.⁹

Thus, while the Council is surely alarmed by the demographic pressures on

social security, its main response is not to recommend reducing benefit levels (or over time, reducing the average benefit/wage ratio). Rather, its response is to counteract the rise of the financing burden of social security by acting vigorously upon the inactive/active ratio. This is to be achieved by policies that recruit a larger part of all active age cohorts into the labour force, without letting older people off the hook.¹⁰ This adamant stance, the Council notes, is justified in the Netherlands by the real possibility of continued employment growth.¹¹

Up to now, all that has been shown is how the Council's reasoning amounts to the need for all-inclusive labour participation.¹² Given the demographic challenge, this need arises from the goal to preserve the benefit/wage ratio over the next two decades, for both reasons of solidarity and economic reasons of facilitating the adaptability of the labour force. I shall now examine more closely how the solidarity reasons shaping this goal are embedded in an egalitarian conception of social justice.

3 Labourist threshold egalitarianism in 'From Sharing to Earning'

There are many varieties of egalitarianism. In the most recent versions of egalitarian theory, the fundamental aim of egalitarianism is to eliminate the impact of major sources of unchosen circumstances (often called 'brute luck') on the distribution of goods that matter for people's well-being and agency, while allowing inequalities in the distribution of those goods that result from genuine personal choices.¹³ Taken to its logical extreme, this is an exacting aim, which may not always command full assent.¹⁴ But, as Stuart White rightly points out, what figures most urgently in the mind of many modern egalitarians, both morally speaking and in political practice, is a less ambitious version of the egalitarian aim. This version strives to correct for natural and social disadvantages that differentially afflict people at the starting point, by ensuring that these disadvantages are corrected at least to the extent of preserving a *decency threshold* in the distribution of prospects for well-being and agency. (White 1997: 62). To show in what way the threshold version of the egalitarian aim can be seen to underlie the Council's recommended policies with regard to social security, three points will be clarified in this section. These concern: (a) considerations fixing the level of the decency threshold; (b) the division of governmental and personal responsibility for maintaining a given threshold in society; and (c) the specification of the goods that matter for people's well-being and agency, within a conception of threshold equality.

To start with point (a): White's formulation strongly suggests that what goes into the determination of a 'decent' threshold level should be informed in large

part by the egalitarian aim itself.¹⁵ At the very least, the egalitarian way of settling on a decent level of provision will depend on the answers to two questions. First, which circumstances should be included in the calculus of brute luck, under existing conditions? Second, how urgently do people need to be protected against the unequal incidence of those circumstances? With regard to the first question, the Council follows the egalitarian theories of Rawls (1971), Sen (1980, 1985), and Tinbergen (1974), in mentioning a broad range of circumstances that come under the heading of brute luck and significantly affect earning capacities, especially in contemporary dynamic market environments: naturally and socially induced differentials in marketable talents, in capacities of acquiring knowledge, skill formation (including the social skills), and finally attributes such as resourcefulness and determination in utilizing given educational and labour market opportunities.¹⁶ With regard to the second question, the Council remarks that contrasting notions of a just society, from Hayek's anti-distributive defence of the inherent justice of market processes, all the way to Tinbergen's radical welfare egalitarianism, are in fact divided on their perceptions of the self-sufficiency (*zelfredzaamheid*) of persons in the face of brute bad luck, and hence tend to adopt a different view on the extent to which the government should intervene in market processes to correct the workings of fortune: "Thus it is clear that ultimate choices on the just order of society can not be separated from perceptions on people's self-sufficiency" (WRR 1997: 81). Here again, the Council takes the view of Rawls, Sen and Tinbergen in explaining the basic stance of the report in favour of active integration and supplementation policies, and against the alternative model of entitlement policy, which it explicitly associates with Hayek. Thus it is fair to conclude that the Council's choice to maintain the existing benefit/wage ratio over time, rather than allowing benefits to be adjusted downwards, can be explained by a recognizable motive of egalitarian justice.

Turning now to point (b), the Council's egalitarian position is once more in evidence. But now this is shown by a forceful criticism of the three egalitarian theorists, Rawls, Sen and Tinbergen. The main objection is that each of them, in their own way, tends to concentrate on the government's responsibility to guarantee the rights to social provision, while ignoring the complementary duties of beneficiaries to take responsibility for their own lives. With the egalitarian aim, a public guarantee of access to any important good must be conditional upon the responsible effort of the citizens to avoid behaviour that will foreseeably make it necessary for them to claim that good. Egalitarian moral entitlement, as spelled out at the beginning of this section, rejects the demand that one is compensated for adverse effects that arise from one's genuinely personal choices. To insist on such compensation would be unjust, since it diverts resources from those in need who behave prudently, to those who choose to live wastefully. Thus, insofar welfare state arrangements are

motivated by the wish to guarantee a decent threshold of provision, these arrangements must be implemented in such a way that this sensitivity to personal choice is respected in judging claims to public benefits. This feature of egalitarian fairness is strongly emphasized by the Council, and it links the feature to a traditional understanding of reciprocity between state and citizen, which is said to have existed during the first decade of the welfare system. In the austere fifties, the responsibility of the government to provide social security and protection against poverty was matched by citizens' automatic readiness to be independent of such provisions. It was thus a system in which 'sharing' was strictly subordinate to 'earning' (WRR 1997: section 1.2.2). To promote a better understanding of this maxim of egalitarian fairness under contemporary conditions of labour market insecurity, the reform of welfare institutions in the nineties should be guided by policies of active integration and supplementation. Both of these policies, as we shall see below, are meant to achieve what the report calls the *dual goal of social security*: "meaningful work for those who can work, and an adequate level of benefits for those who can not (no longer) work, or who are exempted from work" (WRR 1997:10).¹⁷

Finally, let us consider point (c). In its general formulation, the egalitarian aim does not specify concretely what society should consider as the most important determinants of 'well-being and agency', when designing just social arrangements. Different possible views on this large question are divided between variants of 'welfarist', 'resourcist', and 'capability' positions. It is not necessary to enter into these debates for the present purposes.¹⁸ It is sufficient to note that the relevant sources of bad brute luck listed under point (a) clearly imply that in formulating threshold entitlements, the all-purpose good of income, while surely important to people's well-being and agency, can hardly be sufficient as a means of egalitarian compensation. I now want to show that both the dual goal of social security – stated in point (b) – as well as the policies of active integration and supplementation which are to serve that goal actually identify *two* main determinants of well-being and agency: *income and productive endowment*.

Starting with income: the constancy of the benefit/wage ratio under existing legal entitlements roughly sets the parameters of the threshold conception, given the linkage of benefits to wage income. In particular, the social minimum income (for a family, exclusive of child benefit allowance) should change in line with the net minimum wage, which in turn should be linked to the average growth of negotiated wages on the market. Wage-related benefits of worker insurance, which may exceed the social minimum, are set at a constant percentage of the beneficiary's last-earned wage level. Thus, the whole structure of indexed benefits reflects an egalitarian threshold conception of income with respect to the social minimum, alongside a social insurance component with solidaristic risk-pooling between workers, in order to ensure

coverage of income loss (up to 70% of wage earnings).

As explained under point (b), the legal entitlements to all of these benefits are to be implemented in a way that forces individuals to meet their responsibilities. Exactly how the policies of active integration and supplementation are supposed to achieve this will be discussed shortly. What is important here is their aim to make it impossible for anyone to claim minimum benefits or wage-related social insurance, without at the same time making an honest attempt at self-sufficiency. This is where the second determinant of well-being and agency – productive endowment – enters the picture.

As was shown under point (a), the Council realizes that individual abilities to achieve self-sufficiency can vary considerably among those who are dependent on social security, notably if one compares short-term claimants with those who have been on the welfare rolls for a longer period of time, and who are often incapable in practice of living up to norms of self-sufficiency. Short-term claimants often may need to make only a small effort to satisfy such norms. By contrast, many long-term claimants can break out of the cycle of dependence only if they are helped to undertake the 'reasonable' efforts that would render them independent of their benefit.¹⁹

With this problem in mind, the Council's active integration policy is chosen as a means of raising the productive endowments of claimants. The policy explicitly treats productive endowment as a matter of collective responsibility, based on the egalitarian motive of compensating for differences in 'skills and capabilities of self-sufficiency'.²⁰ In effect, this amounts to setting a threshold of productive endowment, which is institutionally linked to the income threshold. Whereas the income threshold of benefits is set by the net minimum wage, the threshold of productive endowment is the set of income-generating skills and work attitudes that would normally be sufficient for an employer to want to hire someone at the level of the minimum wage.

In bringing out a recognizably egalitarian motivation of these two thresholds, I do not want to suggest that this is the main motivation. As was noted in section 2, the Council holds that setting benefits at an adequate level becomes more important when labour markets offer less prospects of lifetime job security, and demand more flexibility and risk-taking behaviour of the workers. But it also recognizes that without adequate support of relevant skills and attitudes, such behaviour may not be forthcoming if people tend to rely on their benefits for too long. Each of the two thresholds, income and productive endowment, is thus seen as necessary, and jointly the two are held to be sufficient for an adequate system of social security under modern conditions. As the Council points out in a slightly cynical metaphor, it is important that "... social security starts to function more strongly as the lubrication oil for a flexible labour market" (WRR 1997: 68).

Viewed as a measure of egalitarian compensation, the state's direct efforts to

invest in the productive endowments of claimants – by means of in-kind transfers in schooling and opportunities for work experience – reinforce the appeal to the responsibility norm. In effect, these investments present an offer that the beneficiary can hardly refuse. For on the norm of responsibility for achieving self-sufficiency, active and conscientious cooperation with programmes of schooling and job search will be a key condition to remaining eligible for cash benefits. Thus, providing access to compensatory benefit in respect of the endowment threshold becomes a way of minimizing legitimate access to the income threshold. This raises the question whether productive endowment is really the kind of strategic good which is important for the well-being and agency of individuals, rather than merely a thing they should be given access to in order for the government to ‘lubricate’ the labour market, and to minimize the cost of dispensing cash transfers.

According to the Council, however, there is no doubt that productive endowment is such a strategic good, over and above the income returns that its use generates. This position reflects a *labourist conception of the good*, which claims that wage labour, or more generally, paid work, has assumed a predominantly beneficial role in modern societies. The sociological and normative reasoning behind this claim is elaborated in the Council’s 1990 and 1996 reports ‘A Working Perspective’, and ‘The Split Society in Perspective’. In the first of these reports, it is said that in modern times, paid work has become the main framework for preserving the interpersonal relations that make society a cohesive whole, following the decline of the traditional integrative institutions of church and religion. Compared to the organization of free time and the social frameworks of solidarity in the welfare state, paid work has proved to be far more important in binding people together in civil society. This potential of social integration is reflected in the benefits that paid work provides to individuals. Wage labour, far from merely being a ‘disutility’, is highly conducive to both *well-being* (‘labour distributes – directly or indirectly – money, power, status and happiness’) and *agency* (‘the opportunity to take part in productive labour is one of the most important conditions for achieving full citizenship.’) (WRR 1990: 30-32). According to the Council, then, a high rate of participation in paid labour is not merely a source of finance for the required transfers of the welfare state. It is also an essential requirement for the common good in a modern democratic society.

This focus on the immaterial benefits of paid work for individuals is further defended in the 1996 report. Under the heading ‘From Alienation to Self-Development’, the Council sketches the emancipatory potential of paid work in the language of social philosophy. In the course of the twentieth century, wage labour has improved qualitatively over time, and has thus become more attractive as a means of individual expression. On the one hand, the Council writes, the repetitive and energy-intensive properties of work in the industrial

era have gradually been replaced by knowledge-intensive and care-intensive elements. This means that the Marxist view on the alienating and exploitative character of ‘wage labour’ has become largely outdated. Or, to put it in Habermasian terms, rather than submitting the activities of the person to a dominating ‘system’ of economic imperatives, wage labour has gradually become capable of constituting people’s personal ‘life-world’. On the other hand, the rise in living standards and educational levels has formed a strong desire on the part of individuals to become autonomous agents, who are less willing to consider their identity primarily as bearers of roles in the family, or in traditional networks of church or locality. Together with the improvement of labour quality, this has caused (rather late, from the seventies onwards, in the Netherlands) a large increase in the supply of labour, which it has only just become possible to absorb, according to the 1997 report.

To sum up this section so far, I have argued that the Council holds a normative view on social security that can be characterized as a labourist egalitarian threshold conception of income and productive endowment. This conception fits hand in glove with the above-mentioned definition of the ‘double goal’ of social security: “meaningful work for everyone who can work, and an adequate level of benefits for those who can not (no longer) work, or who are exempted from work.”

Before examining the policy recommendations of ‘From Sharing to Earning’, I want to mention the Council’s response to the following objection to the slogan of ‘meaningful work’. Work may indeed have become more attractive, challenging and emancipatory in the higher segments of the labour market, so the objection goes, but in the lower segments, it tends to be badly paid and generally of low quality. Surely, then, it is unwarranted to claim that work at the bottom end of the labour market will confer the advantages of ‘status, power and happiness’. This creates a problem for the Council’s supplementation policies, since it undermines the ethical rationale for placing benefit claimants in low-productivity jobs that fetch less than the minimum wage. The Council concedes the objection in principle, but it steadfastly refuses, nevertheless, to give up its position on the good of paid work. It has two answers.

First, the low status of work at the bottom end arises from a deplorable meritocratic tendency to judge status inequality in terms of people’s cognitive talents, educational credentials, and place on the job ladder. While recognizing that this tendency is to some extent unavoidable, the Council wants to foster egalitarian attitudes that would restore the merit and dignity of the lowly talented. Thus, in cases where schooling efforts run into diminishing returns, the public sector should act as employer of last resort, by splitting off the simple tasks of existing jobs in care services, at low pay supplemented by social security benefits. This would constitute a sign that the modern organization

of work is hospitable to "taking every level of talent at its merits, and developing each talent as far as possible" (WRR 1996: section 4).

Second, the Council says, there is a social demand for low-skilled and care-intensive services in primary education, health and social care, maintenance of city parks, upkeep of libraries, policing the streets, and finally domestic service. Subsidizing such services can be justified even if the savings on benefits are outweighed by the cost, because they are income-elastic, but have been either eliminated by cuts in public expenditure during the eighties, or vanished into the informal market, as in the case of domestic service.²¹ Moreover, compared to living on a benefit, the immaterial advantages of care-intensive service work should not be underestimated, especially when it can be organized and performed in smaller and less bureaucratically professionalized units than has formerly been the case.

What this response shows once more is how the Council uses a mix of ethical and economic reasonings to justify its drive for inclusive labour participation, even in cases where its main arguments would seem to apply less straightforwardly.

4 Policies of inclusive participation

The basic message of 'From Sharing to Earning' is that with the right policies, it is feasible to keep intact the basic structure of Dutch welfare legislation, in the face of the demographic shift and of the pressures of European monetary integration and international competition. Thus, while legal entitlements to social security should be simplified, they should not be changed fundamentally with respect to their level or duration. This judgement is derived from the Council's analysis of the economic role that generous income guarantees have to play in a dynamic economy (section 2), and from its view on the justice of an egalitarian income threshold (section 3).

What should be fundamentally changed is the structure of implementation, to ensure that receipt of benefit invariably demands activities of labour market search from the claimant. As we have seen, the Council holds this to be a matter of economic necessity (section 2) as well as a matter of helping to secure an egalitarian threshold level of productive endowment (section 3).

As mentioned in section 1, the policy approach of 'From Sharing to Earning' comprises supply-oriented measures of active integration, and demand-oriented measures of supplementation. Analytically, the core of the approach is that implementation of social security involves contractual rather than administrative forms. The contractual relationship is recommended for three reasons. First, in a contract of instatement, access to broadly defined social rights can be accompanied by individualized duties of benefit claimants, which

are tailored to the claimants' specific capabilities and needs. Second, the contract involves reciprocal rules of accountability. This allows the responsibilities of all parties to be translated into criteria of performance, and to penalize non-performance of any party. Third, the contractual relationship allows competitive bidding between the different agencies carrying out administrative tasks. It also enables the claimant, within certain limits, to turn elsewhere for more competent management of the labour instatement process.

This approach is elaborated by distinguishing four major types of actors in the organization of social security: the *legislator*, the *gatekeeper*, the *case-officer*, and finally the *client/beneficiary*.²² Empowered by the democratic process, the *legislator* fixes the social rights of individuals in broad categories, according to shared precepts of distributive justice, in the form of manageable conditions of entitlement. These are embodied in each of the different social security laws. The Council's recommendations to the legislator were discussed above: simplify, but otherwise do not change. The *gatekeeper* is the public official who determines the status of the client on the basis of existing law, and arrives at a general assessment of the corresponding entitlements and performance duties of the client. For instance, the client may be categorized as involuntarily unemployed, or disabled for 50% of his or her working capacity, or entitled to general assistance up to some percentage of the net minimum wage, or exempt from the duty to work to a specified extent within the terms of a law on care provision, or within the terms of a regional reinstatement programme for the unemployed, and so forth.

After the gatekeeper has carried out the assessment, the client stands at the beginning of a so-called 'benefit trajectory'. In all cases where benefit entitlement involves a duty to perform labour, the client is first entitled to a period of free search time to find employment, after which he or she comes under the care of a *case-officer*. Together with the client, and possibly an employer or job agency, or else the representatives of a training programme, the case-officer now becomes responsible for drawing up a transparent contract of instatement, and is empowered to monitor its proper execution as long as the contract lasts. The contract of instatement specifies exactly what is expected from the client, and what the government is responsible for providing in the way of in-kind benefits, such as mediation services, educational resources, training sessions, or wage subsidies. The goal is to achieve a tailor-made arrangement in which the performance duties of all concerned parties are clearly identified, in terms of operational requirements of either result (output) or effort (input). These requirements take into account the client's individual capacities, and the cost of the needed resources.

To ensure that all these interactions can truly be regarded as contractual ones, the *client*, finally, is empowered to choose freely from among different agencies (either public or semi-private ones) that perform the case-officer's function.

These agencies are to be placed within a framework of organized competition, in which they have to prove their efficiency by attracting clients under hard budget constraints.²³ The client is entitled to terminate a contract with a case-officer at least once. However, in the contract with his 'final case-officer', the case-officer is bound either to appeal to the relevant gatekeeping agency for a second opinion on the client's situation, or to apply punitive sanctions, in the case of (carefully documented) insufficient performance. Clients who fail to meet an instatement contract, after all their options of free choice and reassessment have been exhausted, are finally marked as 'blamefully unfit' for a benefit trajectory. They are then relegated to the regime of general assistance, to exist without the privileges of client status at a reduced level of benefit.²⁴ But this is not the end of the story. Special courts of appeal would exist to whom clients could present complaints against their final case-officer, and if the complaint is rejected, it would be possible to obtain a final verdict by a court of law.

The Council is perhaps not exaggerating when it notes that active integration policy is expensive, and thus will need to generate high returns to be sustainable.²⁵ It also notes that a 'cultural shift' would be required on the part of clients and implementation agencies that can not be expected to occur overnight (WRR 1997: 128-129). However, the Council is convinced that the individual tailoring of benefit rights to participation duties is a realistic prospect, if we look at the high degree of professional responsibility of public officials in primary education and healthcare. In the healthcare situation, it is accepted as a matter of course that the doctor delivers tailor-made solutions to improve the patient's health, and, in education, that a good teacher may demand unequal effort from pupils, while playing close attention to the differences in their learning needs (WRR 1997: 141).

However this may be, the policy measures of active integration are predicated on the assumption that the client is capable, ultimately, of achieving a productivity level sufficient for holding an unsubsidized job. As the Council notes, this poses increasing demands on clients, given that the minimum wage is supposed to grow in tandem with the average wage. For if the latter changes roughly in proportion to the average productivity of labour (see section 2), then the threshold of productive endowment of the client in a benefit trajectory will have to be raised proportionally as well, to ensure that employers will ultimately want to hire the client at the minimum wage level. Clients whose initial productivity is very low may not achieve this rising standard, at least if the contract is not to drag on indefinitely.

In such cases, the Council would want to shift from the supply-side orientation of active integration policy to the demand-side policy of supplementation. The basic idea is to instruct gatekeeping agencies to make a preliminary assessment of the client's earning potential. If this is deemed insufficient, then the minimum wage is halved in order to raise the market demand for any work

the client can do. Under these rules, the client's maximum benefit entitlement would continue to be tied to the social minimum, at the level of the net minimum wage. If the client is offered a job at half the minimum wage, he would now be bound to accept it, and receive a supplementary benefit which makes up the difference between the wage and the social minimum. In the context of supplementation policy, the benefit trajectory would resemble what the Council calls a *Rhineland method of workfare*, in the sense that benefit is partly substituted by income from obligatory work, while at the same time a decent income entitlement is being guaranteed. The administration of supplementary benefits could also be achieved by reducing the employee social insurance contributions that are withheld by the employer. This reduction may increase the take-home pay on low gross wages up to the guaranteed level, so that the client does not need to apply for an income supplement.

The Council admits in passing that Rhineland workfare is vulnerable to the unemployment trap. Clients with earning capacities low enough to make them eligible for the scheme will have no financial incentives to seek employment, because that brings them no higher net return than staying on the benefit. This could frustrate the operation of the instatement contract, especially if the kind of work required is available only after a determined search effort (WRR 1997: 132). For these reasons, the Council thinks that the instruments of supplementation policy should be introduced gradually, as the labour market gets tighter over time. It advises starting with a modification of the already existing work programmes for the young (under 23s)²⁶, while including older clients in workfare in proportion to the growth of demand for labour in the private sector, and at the same time creating additional low-paid service jobs in the public sector. Nevertheless, the Council expects that for quite a while, there will remain some hundreds of thousands of hard cases, for whom the demand to accept work will not amount to more than a gesture of political futility. For them, a longstanding and intensive benefit trajectory under the rules of active integration policy will have to be available, and the safety net of general assistance can not be missed for the time being (WRR 1997: 133).

To summarize, the main thrust of social policy under the dual goal of social security envisaged in 'From Sharing to Earning' consists in a contractually regulated 'individualization of duties' between clients on the one hand, and the gatekeeping and case-handling agencies who are involved in administering general rights of social security on the other. The key motivation of the contractual approach is the desire to ensure that clients will be both motivated and obliged to render themselves independent from social benefits, by taking advantage of public resources. These resources are made available by case-officers, with the purpose of helping the clients to achieve an adequate level of productive endowment. In turn, labour market policies directed to special groups (the young, the old, workers on flexi-time, part-time contracts) are

meant to facilitate a continuous utilization of productive endowments, in order to obtain a structurally higher degree of labour participation among the labour force. In cases of workers with insufficient earning capacities, these policies should be accompanied by 'Rhine-land workfare', or supplementation policies.

5 Labour participation: would a relaxed view be more effective?

The Council's report on the future of social security in the Netherlands is marked by a tense attitude towards its key goal and ultimate remedy: participation in paid work. As I have reconstructed the Council's view on the normative foundations of the welfare state, the egalitarian threshold goals of income guarantee and productive endowment are bound together by an uncompromisingly labourist view. Of course, 'From Sharing to Earning' is not a treatise on egalitarian political philosophy. Its purpose is not to set out a theory of the first-best principles of distributive justice that social policy should strive to approximate. Rather, it tries to formulate desirable and feasible long-term recommendations to be used by the government as it sees fit, in setting the political agenda of ongoing social policy reform. In this context, the two threshold principles identified in section 3 are not purely derived from an egalitarian political theory. They are also formed by considerations of economic sustainability and political acceptability. In the process of mixing these strands of egalitarian morality and pragmatism, I believe the Council has succeeded in picking up important elements of consensus in Dutch politics at the present time, namely, the broadly expressed desire to preserve the ruling level of social benefits over time if possible, the strong emphasis on investment in human capacities, and the notion that benefit holders are individually responsible for taking advantage of the resources of solidaristic collective insurance and redistribution, so as to stand on their own two feet as active participants in society.

However, a closer look at the conditions of economic sustainability identified by the Council may additionally explain its decidedly labourist stance, by pointing to some other instrumental reasons for adopting such a stance. As noted in section 2, the Council believes that substantial employment growth is a 'real possibility', though not a guaranteed one. Employment growth, however, is seen as *indispensable* for the success of policies that serve to counter the demographically induced rise of the inactive/active ratio under the normative constraint of a constant benefit/wage ratio. In some respects, the actual realization of substantial employment growth in the next two decades is beyond the control of the governments, since it depends in part on the development of the

Dutch economy within the European and international context. In other respects, however, achieving employment growth rests both on keeping wage costs in check, and on the willingness of governments to increase the adaptability of workers to a dynamic and flexible labour market environment.²⁷ On its own analysis of what is required for this adaptability, namely, keeping up adequate levels of social benefits for those who are in need of them, the Council's position implies that indirectly, policies of active integration and supplementation are needed to create the conditions for realizing the possibility of employment growth. But this means that the recommended drive for raising labour participation by means of those same policies has the character of a *bootstrap operation*: if the right policies are pursued assiduously, then they create the preconditions for their success. If those policies are only pursued halfheartedly, then this will undermine the preconditions of their success, and hence the policies become more and more ineffective at a later date. Strong political motivation is therefore necessary to be able to go all the way. The normative appeal to include individuals in paid work, for the good of their own well-being and agency, helps to support this political motivation. To some extent, this may explain why the Council steadfastly insists on the fairness of keeping the able-bodied in paid work, on the beneficial effects that a life of paid employment has for people's 'personal life-world' and self-esteem, and on the conduciveness of an encompassing organization of paid work to 'social cohesion'. But the Council also recognizes that the viability of the policy mix discussed in section 4 depends on whether its labourist 'strategy of participation' will remain a dominant force in Dutch social policy. Within the social democratic, unionist and green camps, in particular, staunch support of a 'decent level of benefits' has been accompanied by criticism of the Council's forthright labourism.

In this section, I should like to discuss the merits of the Council's labourist view in the light of what these critics have been saying. I have claimed at the outset that I regard the Council to have been influential in shaping the framework of policy discourse in the Netherlands during the nineties, even before the publication of the 1997 report. And indeed, the labourist preoccupation with the value of paid work is recognizable in the present Liberal-Social Democratic government's decision to administer social security in local 'Centres for Work and Income', inspired by its predecessor's exhortation 'Work, Work, and Work Once More' (on the 'Centres for Work and Income see Sociale Nota 1999). Prime Minister Wim Kok often repeated that battle-cry in his speeches in the period 1994-1997, seeing it to be the only way to defend the current wage-indexed structure of social benefits.

But it is also worth noting that during the nineties, the Dutch Labour Party, as well as the trade unions and the increasingly popular Green Left Party, were also engaged in a more nuanced discussion of the organizing role of paid work

in society. While the labourist line was firmly enunciated in the 1992 discussion note for the Labour Party Congress ('No One on the Sideline'), the party's 1994 election programme ('What Binds People Together') came up with a catchy, but rather more ambivalent slogan: to promote a 'relaxed organization of work'. The assumptions behind this slogan are of considerable interest for the present purpose, since the slogan has since been taken up, and elaborated on, in various other internal Labour documents.²⁸ As I understand it, the model of a 'relaxed organization of work' combines two distinct positions. The first one firmly confirms the credo that 'work is, and will remain the prime factor of integration'. This position seemingly supports the stance of the Council. The second position, however, strongly qualifies that support, since it seeks to dissociate itself from the hallmark of labourism, namely its narrow focus on paid work and the belief that full employment can be attained, given the political will to pursue the right kind of economic and social policies.

This second position rests on two premises, a normative and an empirical one. The normative premise is that what makes participation in 'work' a strategic good for the well-being and agency of persons is not paid work as such, but rather a flexible mix of paid work and unpaid activities, which persons should be able to vary over the course of their lifetime. The empirical premise is that the prospects for full employment in the long run are uncertain, but that in any case, the demand for the work of the lesser talented and lower skilled will in all probability continue to present employment problems at the bottom end of the labour market. From these premises, the second position concludes that it is both prudent and ethically defensible to broaden the concept of lifetime work, by admitting that 'all paid and unpaid activities actually contribute to participation and integration' (PvdA 1995: 31). In other words, the slogan of a relaxed organization of work holds that the intrinsic good of labour participation must be taken to include the value of unpaid activities in the upbringing of children, neighbourhood care and other forms of voluntary community work (PvdA 1996: 10; see also CDA 1995).

The recommendation to relax the organization of work in this way generates somewhat different policy goals from the ones adopted by the Council. One goal is to reduce the average lifetime quatum of paid work, while increasing the proportion of *persons* between 15 and 65 involved in doing both paid and unpaid work. This kind of relaxation seems to run counter to the Council's straightforward objective of getting more *hours* of paid work out of the potential labour force. Another deviant policy goal is to enlarge the scope of exemptions from paid work, that is, to regard a broader spectrum of 'socially useful' activities as morally relevant grounds for deserving a benefit than is envisaged by the Council's rather narrowly conceived 'Law on Care Provision'²⁹. This could considerably widen the conditions for receiving a social security benefit. And finally, a third goal of social policy is to achieve a more

equal distribution of paid and unpaid work between men and women, while increasing the freedom of each gender to choose the preferred mixes during their lifetimes. This goes against the Council's strict view that male and female alike should be instated in a lifetime pattern of performing paid work.

The goals of a relaxed organization of work seem to be an attractive way of modifying the conception of threshold egalitarianism of 'From Sharing to Earning'. Nevertheless, the Council's economic analysis does represent something of a challenge to this modified view. For in the face of demographic and international constraints, it is a moot question whether it will be possible to uphold the level of the threshold by linking the growth of average benefits to average wages over time, if access to benefits would no longer be designed to maximize productive contribution, as the Council clearly thinks it is imperative to do. If this is indeed a matter of economic necessity, then it follows that there exists a tradeoff between the goals envisaged under the relaxed organization of work and the maintenance of a constant benefit-wage ratio.

But in other respects, the proponents of the relaxed organization of work may have valuable advice to offer with respect to the relation between social security and work at the low-paid, low-productivity segments of the labour market. In this area, it is of interest to ask whether the alternative policy goals just discussed can be accommodated in the contractual approach of the Council. To some extent, this is indeed what the 'relaxation' current in Dutch social democracy would want, since it agrees with the Council that arrangements of social security should answer to 'stern justice': 'fraudulent behaviour, bad implementation and insufficient monitoring are the excesses that threaten solidarity' (PvdA 1996:14).³⁰ However, there are reasons for thinking that the contract model of section 4 would then have to be modified somewhat, as far as the bottom end of the labour market is concerned. To explain this, it should be recalled that the Council's labourist stance is explicitly directed to what it regards as the *hard core* of the instatement problem. It may be helpful to quote at some length here:

Within the broad approach as outlined [the active integration and supplementation policy approach, RvdV], priority will need to be given to the social and economic necessity of finding work for those whom it is hard to place. At issue are several hundred of thousand partly hidden unemployed, who have all but lost touch with the labour market. Failure to mobilize this group now will mean that the upturn in employment prospects passes them by, that there will soon be shortages in the labour market, that wages rise before equilibrium has been restored and that the gap becomes unbridgeable (WRR 1997: 128; English summary: 65).

In assessing the possible consequences of a more relaxed organization of work, one should focus on these groups of hard cases. One effect could then be the following: if more types of unpaid work are added as legitimate grounds for

qualifying for assistance benefits, the client's situation will become more complicated and subject to constant changes. As a result, gatekeeping agencies will be less able to fix the client's status for the length of time that would enable case-handling agencies to draw up the terms of a tailor-made and accountable instatement contract. Also, the case-officers would be harder pressed to direct their clients to the labour market, if the conditional 'activity bonus' in general assistance benefits were to be paid out to those engaging in a broader variety of legitimate unpaid activities. Since such activities are not exclusively aimed at boosting the client's labour market potential, it would probably also become more difficult to maintain the view that society would necessarily be investing in raising the productive endowments of the clients, as defined in section 3. The threshold of endowment would thus have to be redefined, in order to include enhanced capacities for performing socially useful activities outside the labour market.

Second, under a relaxed organization of work, larger financial incentives may be necessary to get the most problematic groups of clients – the long-term unemployed with low educational credentials or ethnic status or both – to accept jobs in the service sector, as the Council recommends.³¹ For if the conditions of receiving a benefit under general assistance were to become more inclusive, then the vulnerability of 'Rhineland workfare' to the unemployment trap would certainly be increased. Under the policy goals of the relaxed organization of work, it would become far more difficult for case-officers to induce their clients to accept relatively unattractive jobs below the minimum wage, without offering them the prospect of rising substantially above the social minimum. This is why both the Labour Party and the trade unions have considered instituting refundable tax credits for workers, which would enable them to achieve a net income above the social minimum, on finding a low-paid or part-time job.³² Another, more remote possibility of reducing the strains of case-officers would be to redefine the benefit right by turning it into a voucher. Under specified conditions, such a voucher could be used by its holder to purchase schooling, to set up a small business in self-employment, to take a service job below the minimum wage, to offer an employer a subsidy on condition of obtaining a regular career perspective, or finally even to do some approved kinds of voluntary work.

If these different policy goals were to be taken seriously, then this would imply that the contract of instatement would have to become more of an instrument of self-help, in which the case-officer would become more of an advisor and facilitator. It would become an arrangement in which the initiative would shift to the clients themselves, offering more possibilities to opt out of an instatement relationship, and re-enter it at a later point in time. The expectation of those in favour of a relaxed organization of labour seems to be that clients will be much more likely to seize this initiative than they would be

under any kind of workfare scheme. Nevertheless, both the Labour Party and the trade unions share the Council's view that this 'right of initiative' is not sufficient by itself. Hence both agree that the public sector should be expanded to include small-scale service work, as described at the close of section 3.

But in the end, the ideas of a relaxed organization of work, as favoured by sections of the Labour Party and the unions, as well as by the Green Party, rest on empowering the client by giving access to some kind of person-related income grant, that would function both as a wage subsidy and as a means of withdrawing from the labour market under an exemption clause to perform certain kinds of unwaged work. In this respect, these ideas come quite close to Anthony Atkinson's proposal of the most feasible way to conduct social security reform in Europe: to remove all elements of means-testing from social insurance, and to let benefits at the social minimum take the form of a 'participation income' (Atkinson 1995: section 7). Unlike general assistance, participation income is not means tested, nor is its benefit level differentiated by size of household or shared domicile. But, unlike an unconditional basic income, participation income ties the right to public benefit to conditions that explicitly require the individual to participate in either paid work or in an approved list of socially useful activities.

To avoid the serious problems involved in assessing the extent to which people satisfy the complex conditions of a participation income, it would be possible to apply those conditions only to a set fraction of the social minimum entitlement, say the upper half, and hand out the lower half as a 'partial basic income', without imposing any conditions at all. This may sound rather like a plea to giving up entirely on the goal of labour instatement. But a partial basic income was actually proposed by the Council itself, in 1985, on the grounds that it would enable the law of general assistance to get rid of household-related means tests, and stimulate entry into low paid or part time work by reducing the size of the unemployment trap. However, the idea of the partial basic income was almost unanimously rejected at the time as costly and unfair, and it is only briefly mentioned in 'From Sharing to Earning' as a possible "means of providing incentives for labour participation in social security" (WRR 1997: 70).

Both a participation income and a partial basic income seem at present far removed from the mainstream of social policy thinking in the Netherlands, while the even more radical ideas of instituting a fully unconditional basic income, at the level of the social minimum, can only meet with rejection.³³ All such proposals are unlikely to gain support, unless the views associated with a relaxed organization of work become more popular than they are at present. Nevertheless, as this brief discussion indicates, it may be worth considering whether the standpoints of a relaxed organization of labour could make sense as an alternative and perhaps even more effective way of addressing the many

'hard cases' to which the Council wants to give priority in its labourist strategy of participation. There are two reasons for thinking that this might be the case. First, as has been shown in section 4, the successful operation of an instatement contract ultimately depends on applying penalties to non-performing parties. But when one is dealing with the 'hard cases' described by the Council in the passage quoted above, the prospect of having to live on a reduced benefit (after all the possibilities of re-contracting with a different case-officer have been exhausted) may not be a sufficient deterrent for someone who has real difficulties in making 'reasonable efforts' to find instatement in the labour market. In fact, if one examines the Council's few suggestions on the penalties of non-compliance, it appears that the only real penalty mentioned consists of being cut off from the part of general assistance that is earmarked as the 'activity bonus', and that amounts to 20% of the net minimum wage. Undoubtedly, the Council's reticence to apply stiffer penalties is motivated by humane considerations, as well as by the difficulties of dealing with the outright destitution of excluded claimants. But the fact remains that under these particular rules, a single individual without children would be legally entitled to a fallback position of 60% of the net minimum wage.³⁴ One might be tempted to regard this fallback income as an 'unconditional benefit', akin to a basic income. But of course that is true only in the sense that it would be the income on which the claimant could count, as long as he or she was without a job. If a job at the minimum wage were somehow to become available, then the benefit would be withdrawn, in contrast to what would be the case under a basic income arrangement. This implies that the failure to perform in an instatement contract can lock the ex-client into a poverty trap, from which it will be very difficult to escape.

Secondly, the same observation holds even more strongly for clients who are relegated to an instatement contract under the rules of Rhineland workfare. As we have already seen, the workfare system will not improve the net income position of the client, while termination of the instatement contract leads to the same fallback position of 60%. The disincentive to make a 'reasonable effort' at self-sufficiency in this kind of arrangement can only be overcome if these clients are truly committed to the virtues of the work ethic that are integral to the Council's labourist conception of threshold egalitarianism. The clients should be deeply concerned about their lack of productive endowment. They should also be convinced in advance that the only way to improve their earning capacity in the longer run is to accept whatever work is offered, even if that work pays less than the official norm of self-sufficiency indicates. In addition, they should believe that seeking paid employment, rather than remaining on general assistance, is the only way to bring structure into their lives, to prevent them from slipping into social isolation, and to provide opportunities to associate with fellow-workers. Unfortunately, these attitudes

and beliefs tend to be more prevalent among clients who are less removed from the labour market, and who therefore do not qualify for the workfare solution. For supplementation policy to be really promising, it would have to be the other way round. I believe that both of these points show that on the Council's own labourist assumptions, the instatement contract approach runs in danger of becoming self-defeating where it is most needed.

To conclude this discussion of 'From Sharing to Earning', a relaxed view on the good of work, combined with person-related grants of the type outlined above (refundable tax credits, voucher systems, partial basic income, the reform of general assistance in the direction of a participation income) may be a more acceptable way of integrating the class of 'hard cases' which the Council is so concerned to see participating in society. Applied judiciously, such instruments of social policy may prove more effective, even from the labourist point of view. It is true that the incentives these instruments provide are of a general nature: they stimulate entry into the labour market, as well as withdrawal from it into (socially beneficial) unpaid activities. But, over longer periods of time than are envisaged in the Council's description of a successful instatement contract, I believe that these general incentives will better improve the capacity for self-sufficiency of those who are in danger of becoming excluded from the upturn in labour market prospects the Netherlands is presently facing. And there is even more reason to believe that person-related grants will protect these vulnerable groups more effectively against exclusion in periods of (unhoped for, but not unlikely) economic downturn.

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Notes

1. 'Wetenschappelijke Raad voor het Regeringsbeleid', henceforth referred to as 'The Council'. The WRR is an independent advisory body, composed of six or seven scientists nominated for a five-year period, which undertakes research on the long-term developments and political choices in all fields of government policy. Its main format of publication is the 'Report to the Government' – either commissioned or offered independently – to which the prime minister is bound by law to respond.

2. The linkage of benefit levels with the net minimum wage implies that benefits are supposed to follow the growth of average wages, since the minimum wage is indexed to the latter. The linkage may be suspended under law (as was in fact often the case during the eighties and up to 1994) if the ratio of social security beneficiaries to the working population exceeds a certain threshold (of about 86%). This offers a possibility to adjust benefits only to the rise in the cost of living.

3. The Council has been promoting active labour market policies from WRR 1991 onwards, see also WRR 1996, as well as the contractual reform of welfare implementation policy discussed below in WRR 1994. Both of these elements have been taken up by the government, as can be seen in its notes on social policy accompanying the annual budget, see especially Sociale Nota 1996 and 1999. In the latter note, the present government announces an experimental scheme for an integrated administration of all social security laws in 'Centres for Work and Income', which are roughly in line with the policy recommendations of 'From Sharing to Earning'.

4. Sen (1997) offers a relative outsider's view on the significance of this challenge for the whole of Europe.

5. My interpretation of the Council's views on social security in terms of egalitarian theory should not be taken to imply that this kind of theory offers the most defensible conception of justice. As I shall argue in section 3, I think that egalitarian justice, in its labourist threshold version, offers the best way of making sense of the normative position behind the Council's policy recommendations. Alternative ways of explicating that position might perhaps make use of Elster's 'common sense theory of welfare' (Elster 1995: 81), or Walzer's (1983) pluralistic conception of complex equality. For an application of Walzer's theory to debates on the justice of social security reform in the Netherlands, see van der Veen 1994.

6. This is roughly explained as follows. By definition, the share of social security transfers in national income is bi/y , where i is the number of persons claiming social security, b is the average social security benefit, and y is national income. Also, the share of wages in national income is defined as wa/y , with a the number of wage earners, and w the average gross wage. These two shares are then related as follows: $bi/y = (i/a) (b/w) (wa/y)$. In this expression, i/a is the inactive/active ratio, and b/w is the benefit wage ratio referred to in the text.

7. In view of these developments, it has been proposed to redefine the 'generational contract of solidarity' by either raising retirement age up to 68 or even 70, or by reducing the level of the (pay as you go) state pension below social minimum level, or to let those with occupational pension income in addition to the state pension pay the latter pension's contribution of about 15% of wages, from which they are currently

exempted. The Council rejects all three of these proposals, opting for a mild way to increase the financial burden on the aged, which has in fact recently been adopted by the government. This involves the financing of the expected rise in state pension cost out of income tax, with state pension contributions remaining at 15%. Since these contributions are levied only up to 45,000 guilders of taxable income, this will gradually lead to a rise in the tax of pensioners whose income exceeds that ceiling.

8. There is some indirect evidence for this view. The rate of job turnover is an important indicator of adaptability of workers under conditions where gains and losses in employment seldom occur within the same firms or sectors of the economy. It is often thought that the relative absence of social protection and of labour market regulation in the United States facilitates job turnover. But in the Netherlands, where both of these factors are relatively prominent, the turnover in jobs during the nineties has nevertheless been considerable. Annually, about 15% of the labour force changes jobs, and the average time spent in the same job is 6.7 years, in comparison with 7 years in the United States. WRR 1997: section 2.6.

9. "More generally, if solidarity with those who lose income through no fault of their own is institutionalized, then this promotes social cohesion, tranquility in labour relations, and a sound climate of investment." (WRR 1997: 89).

10. "Thus much depends on a system of social security that not only aims to raise labour participation by returning currently unemployed to the labour market. Anticipating future developments also requires that one goes all the way to achieve a permanent employability of the labour force, so as to counteract premature retirement" (WRR 1997: 43).

11. It is understandable that there will be doubts about the soundness of going all out to promote labour participation, in light of the chronic unemployment of the past twenty years, the Council remarks. Section 2.5 of the 1997 report is devoted to showing that this goal is indeed feasible: "a rising participation of labour is a real possibility for the future." (WRR 1997: 43). In its 1996 report 'The Split Society in Perspective', the Council estimates that an average of one percent annual employment growth over 1996-2020 should be feasible, see WRR 1996: 38-40 (Tables 2.4 and 2.5); WRR 1997: 43-47 (Tables 2.4 and 2.5). This estimate is supported by a 1996 estimate of the Central Planning Bureau (CPB 1996). The latter document is based upon the influential scenario-study 'The Netherlands in Triple Perspective' (CPB 1992). It must be noted, however, that these projected outcomes in both the Council's and the Central Planning Bureau's reports are based on rather favourable scenario assumptions, whereas less favourable scenario versions would generate only between 0.3% and 0.5% employment growth annually. The difference between the favourable and unfavourable scenarios largely derives from their respective background assumptions on the position of the Netherlands in Europe and on the national and the international economic policy environment. (WRR 1997: 44-45; Centraal Planbureau 1992: ch. 3). Thus, while the one per cent rate of employment growth is a 'real possibility', it is by no means a certain prospect.

12. See the title of an interview with the economist Dik Wolfson, one of the main authors of 'From Sharing to Earning', who bluntly states: "Everyone who can, must work." (De Volkskrant 27 May 1997). Of course, the inclusion of all able-bodied would

have to be qualified by exemptions of age, education and caring obligations. Wolfson's point is simply that these exemptions should be rather narrowly defined.

13. Key references to modern egalitarian theory are Dworkin (1981), Cohen (1989) and Arneson (1989). In the formulation of the text, 'brute luck' refers to factors that are in no way under the control of individuals, as opposed to 'option luck', which refers to circumstances that can in principle be foreseen with some probability, and which therefore fall under the ambit of the person's own choice (to either pursue risky alternatives or relatively safer ones) (Dworkin 1981). As Cohen (1989) has pointed out, however, the essential distinction involved in the egalitarian moral intuition is 'unchosen circumstance' versus 'genuine personal choice'. Egalitarians want to hold people responsible for the consequences of their genuine choices, and to correct the distribution of final goods for differentials in unchosen circumstance, because persons can not be held responsible for what befalls them as a result of unchosen circumstances. For a perceptive review and extensive critique of this responsibility thesis, see Anderson (1999).

14. The egalitarian aim is 'exacting' in two respects. First, it is a *demanding* aim, the implementation of which might sometimes interfere with other values, such as freedom of choice and aggregate well-being. Secondly, the implementation of the egalitarian aim imposes *huge informational requirements*. It takes extensive and detailed knowledge of a person's history and psychological make-up to distinguish between genuine choices and the choices that are (partly or completely) conditioned by unchosen circumstances. Furthermore, it requires a lot of information on the causal processes involved in people's interactions to sort out the relative impact of unchosen circumstances and of genuine personal choices on the final distributions of goods that matter to well-being and agency.

15. This is so, because threshold egalitarianism has nothing to say about how society should correct for the impact of brute luck that affects the distribution of important goods *above* the threshold level. Thus, if the theory is to be genuinely egalitarian, then considerations derived from the egalitarian aim must enter into the definition of the threshold level itself, in conjunction with arguments concerning the moral urgency of removing inequalities at the bottom end of the distribution. In Vandebroucke (1997) the relevance of a threshold egalitarian theory in identifying normative issues in welfare state policies has been strongly underlined, and my account has been inspired by several of his formulations. As Vandebroucke points out, to restrict egalitarian concern to the guarantee of a threshold by means of social policy does not imply that egalitarians do not worry at all about inequalities in distribution above the threshold level. They simply regard them as having less priority. Finally, it should be noted that the determination of the appropriate threshold level may involve maximizing the prospects of the worst-off groups in society, as in Rawls's maximin or Difference Principle (Rawls 1971: sec. 13). But in general, this need not be the case: the appropriate threshold may alternatively be defined by reference to a notion of morally 'sufficient' provision of the goods for well-being and agency. (For an influential analysis of the relation between the egalitarian aim and considerations of priority, see Parfit 1995.) In my interpretation of the Council's normative position, I will leave open the question whether the threshold is specified in maximin or sufficiency terms.

16. In the list of relevant circumstances mentioned in the text above as attributable to brute luck, one misses an important factor, namely initial endowments of inherited wealth, emphasized by Rawls (1971). This omission is probably explained by the fact that the Council is especially concerned to identify the ways in which brute luck impacts on the *wage earning capacities* of individuals.

17. Note that the list of possible exemptions from paid work is not given by this definition. According to the Council, it would have to be spelled out in a separate 'Law on the Provision of Care' (*Wet op de Zorgverlening*; WRR 1997: 74).

18. These debates turn around the question of formulating an abstract, and interpersonally comparable 'currency' (Cohen 1989) or 'space of equality' (Sen 1980), in terms of which the well-being and agency of people can be assessed, according to the egalitarian aim. The welfarist position is exemplified by Tinbergen (1974) and, in terms of 'opportunity for welfare', by Arneson (1989). The resourcist position in the debate is taken by Dworkin (1981) and in a different way by Rawls (1971; 1982), in terms of 'primary goods'. The capability position has been developed by Sen (1980), in response to the other two. For a brief and perceptive discussion, see Clayton and Williams (1999).

19. As Arneson notes, our judgements on what it takes to make a 'reasonable' effort in the context of social security needs to be treated with some care, on an egalitarian view. Some claimants are incapable of escaping dependency on public benefits, even if they go to great lengths of effort and perseverance. On an egalitarian view, they therefore may have good grounds for considering it unreasonable that this effort should be required of them. Because of this, the seemingly blameworthy 'leisure-loving' attitudes of some benefit recipients may be justified by real difficulties in living up to norms of economic self-sufficiency (Arneson 1997: sec. 3).

20. See WRR 1997, 125-127, where it is explained that the justification of active integration policy is the mirror image of entitlement policy. By diminishing the legal entitlement to benefits, the latter policy aims to enforce efforts at self-sufficiency by means of economic compulsion, rather than by appealing to individual duty. This is motivated by the "image of the emancipated, skilled and self-sufficient citizen, who can make his own choices", and who is therefore neither in need of moral exhortation nor of government intervention to be deterred from relying on benefits (125). Active integration policy, by contrast, stresses the "existing differentials in skills and self-sufficiency, and has the ambition to compensate for these in a broad framework of organized solidarity." (126).

21. Scharpf (1999: sec. 4.3) notes that the Achilles heel of the 'continental welfare' states is their insufficient demand in the 'sheltered sectors', which consist mainly of domestically produced private or public-sector services.

22. In the next two paragraphs, I closely follow the account in WRR 1997: section 4.3.6.

23. It should be noted that the different types of gatekeeping agencies, for instance those involved in assessing the degree of medical handicap under the disability legislation, may also be brought under such an organized regime of competition. The same holds for agencies who are in charge of administering the payment of social insurance benefits to clients. In these cases the agencies performing the function of

case-officers would have degrees of freedom to contract the services of both gatekeepers and payout agencies. Thus, in general, the contractual approach to social security implementation involves multi-level regulation, by law and governmental policy, of 'orderly market relations' between competing agencies. Following the political pressure to reconsider social insurance implementation in the early nineties (after repeated findings of the misuse of disability coverage by employers' and unions' representatives in getting rid of superfluous workers), the Council presented an influential report in which the contractual approach was outlined. The basic claim of that report is that the economic doctrines of transaction-cost and principal agent theory should be employed in the public sector in order to see to it that the agencies involved in social insurance administration would obtain 'existential interests' to do what the law supposes they should be doing. See WRR 1994.

24. The penalty of failing to meet the terms of an instatement contract is embedded in the reformed Law of General Assistance envisaged by the Council. (WRR 1997: 119, Table 5 on 120). I shall comment on this arrangement in section 5.

25. As Robert Haveman comments in a useful review of the report, the cost of instituting tailor-made instatement contracts is not merely one of resources and manpower: "No one must minimize the administrative, enforcement, and negotiation costs of such an arrangement, or the creativity of principals and agents in avoiding rules and incentives designed to encourage coordination" (Haveman 1999: 365).

26. In these programmes the local authorities hire unemployed young workers or 'school-leavers', who are then temporarily placed in private or public employment for which the employers receive a subsidy. The rule of Rhineland workfare could be introduced easily here, since these programmes are already designed to replace general assistance for those under 23. WRR 1997: 144-5.

27. See WRR, 46; "[a substantial employment growth] is possible if the present policy of wage moderation, adjustment of social security, deregulation and increased flexibility is continued. If this goal is realized, then the goal of a sustainable social security will be within reach."

28. PvdA 1992 (Niemand aan de kant). This note was drafted by a commission chaired by Dik Wolfson, who later became the main author of 'From Sharing to Earning', see note 12. For the election programme (Wat mensen bindt) see PvdA 1994. The viewpoint of the relaxed organization of work is taken up further in PvdA 1995 and PvdA 1997.

29. Age, illness, disability, care for young children and education are briefly mentioned as grounds for exemption (WRR 1997: 74). In the approach of a relaxed organization of work, the scope of care work and personal training activities would be broadened considerably. It would also include sabbatical leaves from work, and finally, provisions could be made in a law of care provision to regard certain types of voluntary community work as activities under which one could become eligible for general assistance benefits.

30. The call for 'stern justice' (strengerechtvaardigheid) is a companion slogan of the 'relaxed organization of labour' in the 1994 election programme (PvdA 1994).

31. To get a rough idea of the magnitude of these groups, consider the broad figure of unemployment in 1996: 867.000 persons were officially registered at job centres as 'non-working in search of employment'; 469.000 of these (54%) had been registered

for longer than one year, which qualifies them as 'long-term unemployed'; of these, about 65% had low educational credentials and/or ethnic status. These groups are heavily overrepresented in long-term unemployment. (De Beer 1997: sections 1, 2). According to De Beer, this is due both to their greater chances of becoming unemployed as well as remaining it.

32. See the proposal for a 'basic grant' in ENV (1995), and the proposed 'Participation Law' in PvdA (1997). These proposals have the same effect as allowing someone who finds a low-paid or part-time job to keep part of the general assistance benefit.

33. As advocated by Van Parijs in the perspective of real-libertarianism (Van Parijs 1995a; 1995b). See Van der Veen (1998) for a discussion of this work, in connection with defences of participation income on threshold egalitarian grounds (stated, for example, in White 1997) which insist on reciprocity between benefit and contribution. An interesting argument for the justice of basic income has been offered by De Beer (1994). This tightly argued book aims to convince the Labour Party that it should redefine its theory of justice in a liberal-egalitarian direction, and accept the relaxed organization of work as a more neutral view on the good. For an overview of the basic income discussion in the Netherlands during the early nineties, see van der Veen and Pels (1995).

34. In the simplified law of general assistance favoured by the Council, any individual can count on 40% of the net minimum wage (which is equivalent to the social minimum for a family, exclusive of child benefit), and a supplement of 20% in case of proven single domicile. Both of these elements are means-tested. On top of this, the activity bonus of 20% is made available, as a premium specifically earmarked to be conditional on the client's satisfactory performance in the benefit trajectory. Hence, 60% of the net minimum wage is unaffected by bad performance.

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