

The new Work and Social Assistance (WWB) System change and initial results

Discussion Paper

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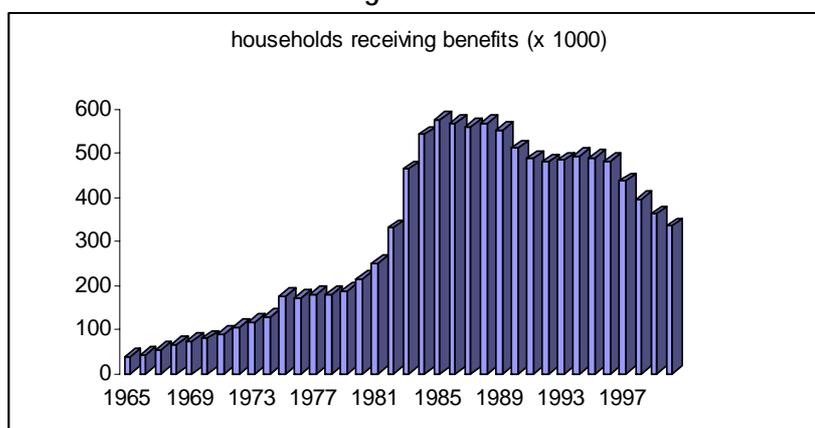
Ministry of Social Affairs and Employment

The reformed Work and Social Assistance Act (WWB) was implemented in 2004. This Act is part of a revision to keep social security affordable for Dutch society and available to those who really need it. The aim of the Act is to get more benefit recipients back to work and to minimise the number of people who end up as benefit recipients. To achieve this goal, municipalities have been given more authority and financial responsibility for benefits. This paper outlines how the system was changed and presents the initial results.

1. Introduction

How do we keep social security affordable for society and available to those who really need it? How do we achieve a healthy balance across the population between those who are able to earn their own income and those who are not, and who therefore need benefits? These are crucial questions that are difficult to answer. We want to keep social security available to those who are unable to work for reasons of age, health, skill level etc. But in recent times the balance in the Netherlands and neighbouring countries has been disturbed, with too many people on social security and too few working. If this process were allowed to continue, it would pose an economic 'risk' to society (see chart 1). Something had to be done. And if we wanted to avoid the unsavoury task of reducing every benefit, the goal had to be different. We needed to check whether current social security recipients or those applying for benefits could in fact earn an income or could work again after some training, and that is what we are doing now. The policy is strict in order to be fair to those who really need help.

Chart 1. Households receiving benefits 1965 – 2000



Over the last few years the Dutch government has implemented a comprehensive reform in the social security system of the Netherlands. The central aim is to introduce a more activating social security to ensure both sustainable public finances and adequate collective provisions.

This paper is about the changes in the Ministry's benefits policy, and in particular the new **Work and Social Assistance Act, the WWB** (*Wet werk en bijstand*). Contacts with colleagues from neighbouring countries like Sweden and the United Kingdom have made it clear that we are often dealing with the same problems and challenges in the field of social policy and welfare. This means we could learn from each other's experiences, and this is the reason for sharing our experiences here.

The benefits available under the new Act are the last resort for those who have no other means of support. The only people who can apply are those who have no job or capital assets, and do not live with a partner or parents who have sufficient income. People who have lost their job can apply for benefits under the **Unemployment Insurance Act (WW)** or, if they are disabled, through the **Work and Income according to Labour Capacity Act (WIA)**. The WW is restricted in time but the WIA not. The WWB is the overall "safety net" in the social security system. People over the age of 65 are entitled to the state pension, under the General **Old Age Pensions Act (AOW)** and also, in most cases, to occupational **pension benefits**. Peer Review participants will be supplied during the meeting with a brochure: *A short survey of Social Security in the Netherlands* for more information about the system as a whole.

How many households with members under the age of 65 receive benefits at the moment? About 302,000 households are currently (December 2006) on benefits. Most of the recipients of benefits are singles and single parents (84%). A significant proportion of recipients have been on benefits for more than one year (82%).

2. System change

The goal of the new system is to stimulate municipalities (local authorities) to promote work instead of benefits. All Dutch citizens are expected to provide for themselves by earning their own income through work. If this is not possible *and* no other provisions are available, the government is obliged to help them find work. Furthermore, when someone cannot provide for their own upkeep through work, the government must provide income support.

Optimum realisation of this objective ('Work rather than benefits') depends on the system of arrangements working as effectively as possible. This was not always the case in the past, so the system had to be changed. An incentive for municipalities to limit the number of households receiving benefits and getting people back to work was lacking.

What was needed to achieve this objective was greater policy freedom for municipalities and full control of social assistance budgeting, fewer implementation regulations and fewer administrative requirements. This in time should lead to fewer newcomers on benefits and more people leaving the welfare system for work. The expectation of the new system was to get a reduction in the number of households on benefits (depending also on the economical situation in our country) by about 5% in two years.

2.1 Greater policy freedom and full control of social assistance budgeting

Under the new system, municipalities have greater policy freedom. This must be considered in conjunction with funding mechanisms. Municipalities have therefore been given full financial responsibility for implementing the legislation. Full control of budgeting, together with control of the allocation of resources to help people find work, is designed to maximise the incentive for municipalities to help every able person to find work as efficiently as possible. The funding system is based on the principle that the government covers risks linked to the economic situation while risks related to municipal policy are covered by the municipalities.

The government provides the municipalities with a set budget consisting of an 'income section' and a 'work section'. The budget for the income section changes in line with economic developments. Resources that municipalities have as leftover from the work section are returned to the government. Municipalities may use funds from the income section as they wish.

The government divides the macro budget (income section) between the municipalities. The budget is divided in a way that ensures municipalities have sufficient resources to meet their obligations vis-à-vis benefits. The system works well for municipalities that implement their benefits policy effectively. Municipalities with inefficient implementation practices are motivated to improve.

The government also sets a macro budget for the 'work section'. This macro budget is earmarked for financing reintegration activities, which the municipalities initiate with a view to carrying out their reintegration task. The basic concept is that municipalities with a more difficult reintegration task receive a proportionately higher level of resources.

2.2 Fewer implementation regulations

Under the new system, municipalities can draft their own policy guidelines within the framework defined by national law. Detailed national implementation regulations have been abolished.

2.3 Fewer administrative requirements

The Minister for Social Affairs and Employment is responsible for the functioning of the whole financing, legislation and implementation system. This means the minister needs to have information to be able to:

- set the macro budget and divide it between the municipalities;
- assess the legality of expenditure; and
- assess the effectiveness of the system and be accountable to Parliament for it.

The information required by the minister comes from statistics¹, monitoring, investigations and reports from the mayors and councillors.

Assessing the effectiveness of the system as a whole does not depend on knowing how effective individual municipalities are. The effectiveness of individual municipalities must be assessed by

¹ The main institute for providing these statistics is called Centraal Bureau voor de Statistiek (CBS).

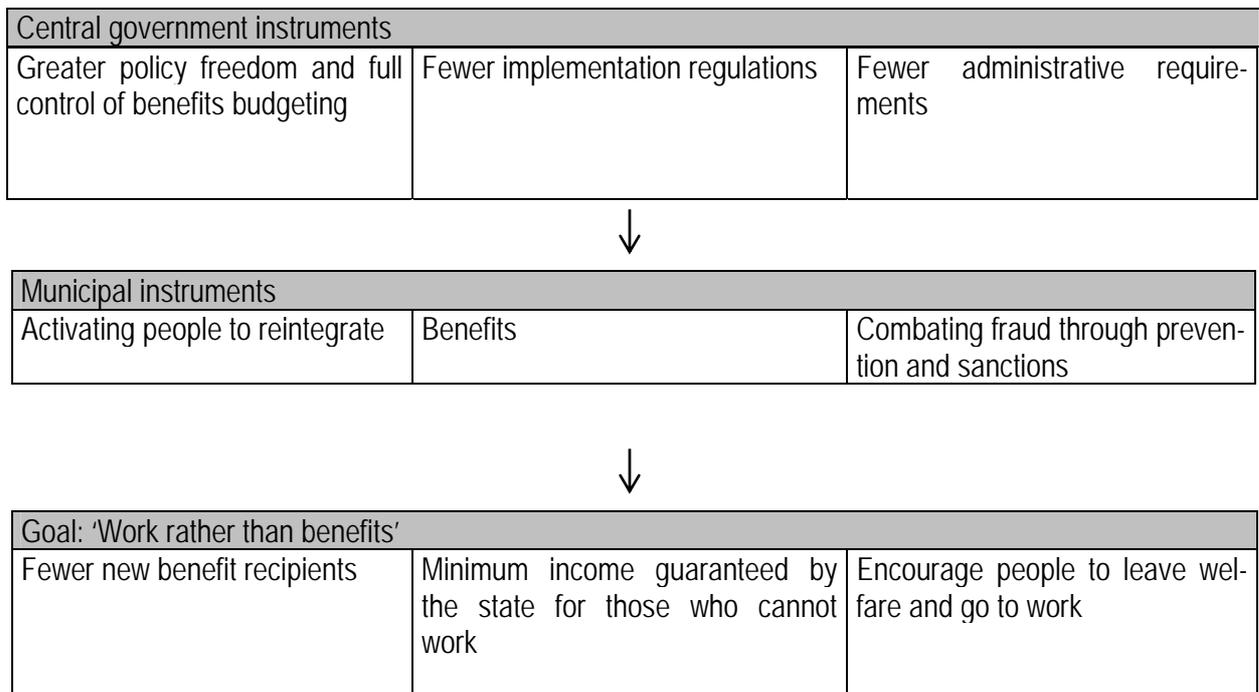
the local council: the council now decides on policy issues and needs information to evaluate the outcome and manage policy implementation. This means municipalities are not obliged to report as much to central government as they were in the past (fewer administrative requirements).

3. Evaluation

The system change is to be evaluated for Parliament. The final evaluation is due in December 2007 and will be based on a series of studies carried out between 2004 and the autumn of 2007. Highlights of the results until now and the method to be used for the evaluation are presented in this paper.

Figure 1. Work and Social Assistance Act: goals and instruments

Goal-and-means tree



A goal-and-means tree is a representation of the policy instruments and goals/subgoals of the Act to be evaluated. In fact, a tree of this kind also indicates the policy theory on which the Act is based. In this case, the theory is as follows:

- there has been a change to the system (WWB) which directly affects the municipalities;
- the system change leads to the municipalities changing their behaviour as anticipated in the Act;
- these changes in behaviour produce the results predicted in the Act.

The government instruments were examined in the previous section. We now look in more detail at the instruments available to the municipalities and the goals/subgoals of the Act.

4. Instruments for municipalities with the system change

The main instruments the municipalities have at their disposal for putting the 'Work rather than benefits' concept into practice are:

1. *Activating people to reintegrate.* The Act is based on the principle of 'generally accepted work' (rather than the concept of 'suitable work' used until 2004). The level of benefit paid is linked to the responsibility shown by the client and the extent to which obligations are met. This enables municipalities to correct undesirable client behaviour more rapidly. The municipality is required to provide tailored support: it is responsible for offering services to clients who are not able to find work by themselves and must provide balanced help for the various groups. The Act assumes that the creativity, effectiveness and efficiency of the market need to be exploited to find the shortest route to regular employment. An example of this is the introduction of various "Work First" projects. This has prevented a lot of unnecessary use of benefits. In fact most of the progress made by municipalities has been "at the gate", rather than conducting a lot of clients to work.
2. *Benefits.* The new law does not alter the current system of central standards and municipal allowances applicable to the general benefit. The Dutch system also has Special Social Assistance (e.g. for living, study or medical costs). When granting Special Social Assistance, arrangements applying to whole categories of people have been abolished and assistance is now only granted on an individual basis (i.e. tailored). This makes it clear that income policy is a matter for the state. The law provides for an additional allowance for people who have received no more than the minimum income for a long period (5 years) and have no prospect of finding work.
3. *Combating fraud through prevention and sanctions.* In the WWB, the obligation to recover expenditure in the event of fraud has been replaced by the power to do so, and the imposition of a fine or measure has been replaced by a reduction of the benefit. The option of reducing the benefit of anyone displaying aggressive behaviour towards the municipality has also been introduced. Any proceeds go to the municipality. This is expected to encourage more effective enforcement.

The broad goal referred to earlier ('Work rather than benefits') has been expressed in terms of three specific goals:

- fewer new benefit recipients;
- state-guaranteed minimum income for those who cannot work;
- greater outflow: people are encouraged to get off welfare and to work.

5. How do municipalities (local authorities) experience the change?

5.1 Greater policy freedom and full control of social assistance budgeting

In general, municipalities are enthusiastic about the WWB, especially the decentralisation aspect. Responsibility is placed where they see it as belonging: with the municipalities. A quote from a councillor of a large municipality:

"The new system is good: if I'm going to be 'taking the shit', I also want to be able to steer the boat. If people complain to me about the national policy, I can only listen. But now, when they complain about local policy, I have the power to actually change things!" Generally speaking the introduction of the WWB has led to a more businesslike culture among the social services. Tailor-made solutions in helping clients to get work prevail.

The new system encourages municipalities to base their management on the volume of social assistance. The incentives are felt throughout the municipal organisations from top to bottom. The municipalities with a population of 40.000 or more, whose WWB budget is set using an objective distribution model tend to feel the financial incentives very directly. Municipalities faced with a potential or actual deficit in the income section also generally pursue a new, more vigorous policy. For these municipalities, the deficit is a rationale for 'pushing through' new policy, even though that may be hard for some council factions to stomach. Municipalities with a surplus are more likely to indicate that they have plans to adjust the policy but do not feel the need for change in the short term.

5.2 Fewer implementation regulations

People are also positive about deregulation, especially the obligation to carry out reassessments. One social services manager said:

"We had to reopen every case. In 99.9% of cases this did not result in drastic changes, so we had to work hard for very little result. Now we can choose which cases we reopen by means of risk assessment and so on."

5.3 Fewer administrative requirements

The municipalities see a shift in information provision from central government to the municipalities. The demand for information within municipalities has changed. Social services and the municipal executive have a greater need for management information. The council is also asking for more information. As an interviewed councillor and a manager of social services said: *"Having to account to the local council is not a burden: I call it transparency."* The council has difficulty in controlling social services at a more detailed level.

5.4 Critical comments

Municipalities have also criticised the new Act. Although the financial incentives are appreciated, the following comments have been made on the effects of the objective distribution model:

- budget distribution does not take past municipal efforts sufficiently into account (plausibility of the distribution model);
- the large proportion of the overall annual social assistance budget that is given to large municipalities;
- the ongoing adjustments to the distribution model, often at the instigation of the municipalities themselves;
- the late point at which the budget is finalised, partly in view of the need to use the most current figures available;
- Future-proofing the incentives. In this respect, one controller commented: "In principle, the WWB is a good law, but the reward for doing it well is just a formality."

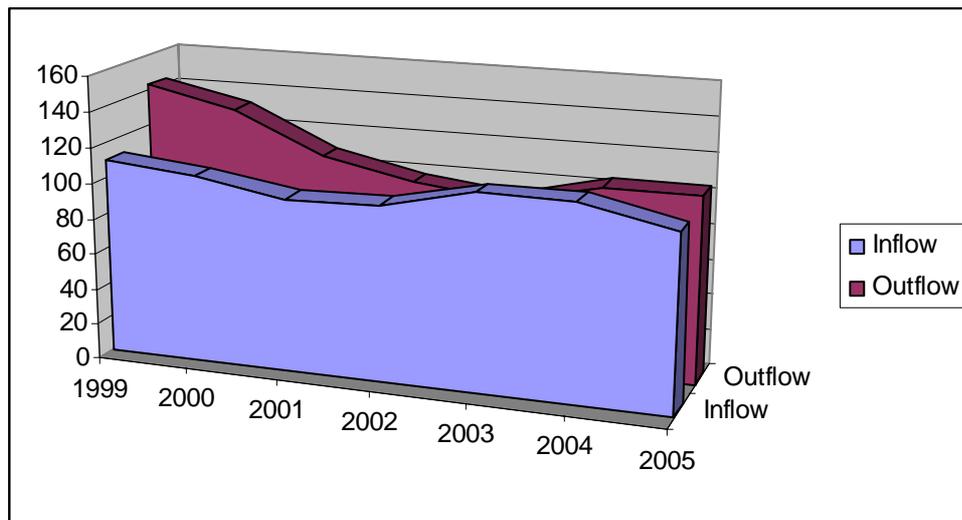
In macroeconomic terms it's very clever. The advantage to a municipality for its efforts only lasts a year; for the government the advantage is structural."

- Municipalities (especially the ones with a budget shortage) call for a less vigorous incentive by merging the income section and the work section
- The debt of people on par with the 'social minimum'² has increased. Municipalities have got a strong preference to re-introduce arrangements targeted at broad categories of individuals to combat poverty.
- The information burden regarding the work section budget (which is checked by the Ministry of Social Affairs and Employment) remains too high in the opinion of municipalities.

6. Early impressions of the effects of the WWB

The main goal of the WWB was expressed earlier in the form of three specific goals: inflow limitation, income guarantees and outflow promotion. The following picture emerges from the results the municipalities are currently able to provide.

Chart 2: Inflow-, outflow development 1999-2005 x 1000
(under the age of 65, source Centraal Bureau voor de Statistiek (CBS))



6.1 Inflow

Municipalities try to limit the inflow of new benefit recipients by immediately guiding clients towards work ('Work First') and by imposing stricter controls at the 'gate'. One small municipality, for example, invites all social assistance applicants to a personal interview with the relevant councillor. And in one municipality an official said:

"The effects of being stricter at the social services 'gate' are already noticeable in our city, because, of the 80 to 90 applicants a month, 20 to 30 drop their application. This compares with 10 to 15 in the past! At the moment, our stack of files is diminishing."

² The Dutch definition of the poverty line.

Chart 2 shows the development of in- and outflows from 1999. It clearly shows the increasing inflow after 2001 when the economy deteriorated in The Netherlands. Likewise a decreasing outflow can be distinguished. As of the year 2004 a different picture emerges. The inflow in 2004 is level with that of 2003, but drastically declines to a total of 99,000 in 2005. The outflow keeps on rising to a level of 93,000 in 2003 and 105,000 in 2004, but stays at that level in 2005.

6.2 Outflow

Municipalities try to promote outflows by pursuing a stricter enforcement policy. The reassessments carried out under the terms of the WWB quite often result in termination of the benefit. In one case, a municipal official said of the unexpected success of reassessments in February:

"Valentine's Day was very successful this year! That month, a lot of clients suddenly appeared to be living together."

The focus also tends to be on the clients most likely to succeed:

"You don't find the people on benefits 'disappearing' into jobs just by changing the law," says an employee of a social services department in one municipality. "A municipality with any sense will focus first on people who have a good chance of finding work, because getting those people off benefits will help you meet your financial targets. In a year or two we will have excluded people who do not belong in the system. Only then will we look at activating people who have less chance of getting a job."

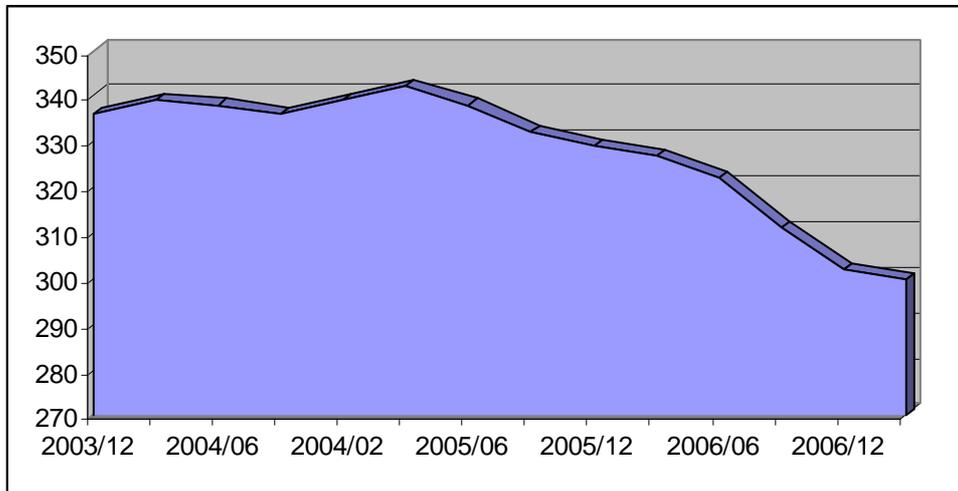
Table 1 Outflow per age groups, years 2003, 2004, 2005 (source Centraal Bureau voor de Statistiek (CBS))

Age	2003	2004	2005
< 25	19,930	23,730	22,025
25 to 35	27,410	31,220	32,385
35 to 45	23,120	25,090	25,425
45 to 55	12,480	13,900	14,190
55 to 65	10,260	11,130	10,945
Total	93,200	105,070	104,970

Between 2003 and 2004 the outflow increased in all age groups (see table 1). In 2005 the total outflow remained the same as the level of 2004, but declined for younger clients. A possible explanation might be that the composition of the inflow changed (by including a higher proportion of people with poorer labour market potential).

3 Income guarantee/total volume of benefits

Chart 3. Households on benefits, people under 65 living at home x 1000, quarters 2002-2006 (source Centraal Bureau voor de Statistiek (CBS))



With respect to the number of households that make use of the income guarantee function, chart 3 shows that 336,000 households under the age of 65 were receiving benefits at the end of 2003. By the end of 2006 the figure had declined to 302,000. With this positive result the volume has come down to the level of the beginning of the 1980's.

Initial results of research in municipalities, which will be published in June this year, show that municipalities are convinced that people who are entitled to benefits do receive them. The system of the WWB has, according to the municipalities, not led to clients being excluded from benefits that they were entitled to. They do indicate however, that due to the Work first policy that some municipalities apply, some clients withdraw their application for benefits when they get a work offer they are not happy with.

Municipalities comment on the abolition of the option of providing group-based (categorical) special assistance. According to them this leads to extra work for social services and to a reduction in the use of special assistance. In this context, one manager remarked: *"The WWB put an end to simplicity and replaced it with complicated rules."*

Comments have also been made on the long-term additional allowance paid to those who have lived on social assistance for a long time and have little likelihood of improving their income because of the lack of employment prospects.

7. In conclusion

The results described above show that the initial indications of the WWB's operation are generally positive. There are still a number of challenges facing the municipalities and the Ministry of Social Affairs and Employment, such as:

- guaranteeing the future-proofing of the financial incentives;
- encouraging closer contacts with employers;
- investing in those less likely to succeed in getting work.

Also there will be changes due to the policies of the new Dutch Cabinet, which was installed on 22nd February 2007. Some of the policies will influence the WWB or the implementation of the law. The main ones are:

- young people up to the age of 27 will have to study or work, and otherwise will not receive benefits
- single parents with child(-ren) under the age of 5 years old do not have to work. They do however have to study, to keep their chances for work afterwards optimal
- the Cabinet will hold a summit meeting with social partners and the municipalities about activating people, even those who are not able to work yet. Among the topics that will be discussed is whether dividing lines between different financial systems can be abolished; that is between the work part of the benefits system and the introduction of new citizens in the Netherlands and Dutch language courses.

To conclude: the leading question for the Peer Review will be what we can learn from each other's experience in the field of benefits. We hope that our paper has shed light on how the Dutch system works. And we are looking forward to a fruitful discussion with our Peer countries.