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Prospects for Inclusive Social Citizenship in an Age of Structural Inactivity

by Anton Hemerijck

Dr. Anton Hemerijck is an Associate Professor of Policy and Politics in the Department of Administration at Erasmus University in Rotterdam. He is also a visiting researcher at the Max Planck Institute for the Study of Societies.

Abstract
One of the paradoxes of contemporary European welfare states is that while today practically every adult citizen seeks gainful employment, jobs are hard to come by. There is a growing number of (economically) inactive citizens, people of working age who are structurally dependent on social policy for their livelihood. In this paper the rise of structural inactivity is analyzed from two contrasting sets of arguments about the "unintended" or "perverse" effects of social policy. The first argument revolves around the decline of the traditional work ethic in the welfare state; the second argument suggests that the predicament of structural inactivity is the consequence of accumulated rigidities and historically perverse social security policy choices. Both arguments are subsequently confronted with empirical evidence from the highly advanced welfare state of the Netherlands, which after a deep crisis of inactivity has been able to reverse the cycle of declining activity and rising inactivity through a lengthy process of negotiated social reform. Finally, the paper, in terms of normative policy advice, considers a number of "employment-friendly" policy initiatives which are likely to result in an increase of labour force participation in persons and a voluntary decrease in hours worked. This could foster a more nuanced and less gendered work ethic, while maintaining the moral integrity of an inclusive and rights-based conception of social citizenship.

Contents

1 The predicament of structural inactivity

One of the paradoxes of contemporary European welfare states is that while today practically every adult male and female seeks gainful employment, jobs are hard to come by. There is a growing number of (economically) inactive citizens, people of working age who are structurally dependent on social policy for their livelihood. The predicament of inactivity is concentrated among the low-skilled, ethnic minorities and the long-term

unemployed. A comparison of six European countries, considering unemployment, sickness, occupational disability, maternity, general need and early retirement, in the age group between 15 years and the retirement age, reveals that levels of inactivity have dramatically increased over the past decade (see Table 1). Moreover, in all six countries, except Denmark, the rise in the volume of inactivity in the 1980s coincided with a decline in labour market participation of the population between 14 years and the retirement age. During the first half of the 1990s activity continued to decline in Denmark, Germany and the United Kingdom.

Table 1
Distribution of activity (A) and inactivity (I) of population until retirement age (in per cent)

Year	Belgium		Denmark		Germany		France		United Kingdom		Netherlands		USA	
	A	I	A	I	A	I	A	I	A	I	A	I	A	I
1980	55	20	56	19	59	13	59	13	61	12	49	16	58	15
1985	51	25	58	22	56	27	56	16	57	17	45	20	60	13
1990	52	26	60	24	60	27	56	17	61	16	47	20	64	14
1995	55	29	58	26	57	27	55	20	58	20	48	20	63	14

Source: Netherlands Economic Institute, *Inactivity/Activity ratios, A descriptive analysis for six European countries, the USA and Japan*, 1998
Note: Inactivity is defined as the relative volume of people in the population in the age group between 15 and 64 who receive earning-replacing social benefits for the risks of old age, survivors, disability, sickness, unemployment, and social assistance, relative to the workforce. Activity is defined as the relative volume of labour expressed in labour years, relative to the working age population, from which the total benefit years due to sickness and maternity are subtracted because these risks are already included in the inactivityratio. Next to inactive and active poeple in the population older than 15 years, there is a remainder group of people who are neither active nor inactive. These are people still attending school or university and people who are dependent upon other active or inactive people.

How do we explain the rise of structural inactivity in contemporary European welfare states? Are we living in a world of jobless growth? Do the citizens no longer wish to work? Do they, pampered by generous standards of social protection, prefer leisure? Or, are they sick or otherwise unable to work? In this paper, I wish to explore the rise of structural inactivity from two contrasting sets of arguments, both revolving around the 'unintended' or 'perverse' effects of postwar social policy.

The first argument, rooted in cultural sociology, centres around the alleged decline of the traditional work ethic in the welfare state. By having dissolved the 'sacred' link between work and income, the welfare state has come to undermine the motivation to seek gainful employment. The lack of immediate feedback between work and income, conservative critics of social policy contend, weakens the moral fibre of welfare recipients. The resultant rise in inactivity contributes to the emergence of a 'dependency culture' of benefit claimants.

While the causal chain of the decline of the work ethic argument runs from the behaviour of citizens to the rise of inactivity, the second argument, rooted in comparative political

economy, suggests that the institutional characteristics of national labour markets and social security systems structure the level of inactivity. The crisis of inactivity, following this line of reasoning, is not the result of crippling norms and values, but rather the consequence of accumulated institutional rigidities and historically perverse policy choices.

Although I thus treat the above explanation of the inactivity problem as disconnected approaches, I am fully aware of the fact that in the messy world of concrete empirical experience values and institutions are inherently linked. To be sure, institutions embody values and changing values can lead to policy adjustment. By the same token both institutions and values structure incentives.

I would like to approach the arguments of the decline of the work ethic argument and the proposition of deficient welfare state institutions from the perspective of citizenship. By so doing, I wish to relate T.H. Marshall's classic portrayal of the extension of citizenship and the struggle for 'equal social worth' to contemporary conceptions of citizenship (Marshall 1963). Next, I will empirically scrutinize the predicament of inactivity on the basis of evidence from the Netherlands. I concentrate on the Dutch experience for three reasons. First, the Dutch welfare state is one of the most advanced welfare states in Europe. Second, the Netherlands did experience a severe crisis of inactivity in the 1980s. Third, the recent Dutch employment miracle presents a case history of a social policy regime that has adapted relatively successfully to processes of demographic change, economic restructuring, international competition, labour market flexibilization and individualization, by way of social policy reform bent on reversing the cycle of declining activity and rising inactivity.

The final normative section considers policy. What are the prospects for effective social policy in an age of structural inactivity, adapting as it were Marshall's principle of 'equal social worth' to the new realities of diversified labour market conditions and heterogeneous household patterns? I will explore two broadly debated policy alternatives which are often pitted against each other in debates about the future of the welfare state. These are, first, 'workfare' policies, designed to repair the direct link between the obligation to work and right to welfare. Alternatively, there is the proposal of the introduction of a universal 'citizen's income', which, by contrast, is directed towards a radical decoupling of the conditional connection between work and income in social policy.

2 T.H. Marshall and novel conceptions of citizenship

The resurgence of the concept of citizenship in contemporary political and social science discourse has invited a critical rereading of T.H. Marshall's famous 1949 lectures, published together in 1963 under the title of *Citizenship and Social Class* (Culpitt 1992; Twine 1994; Bulmer and Rees 1995). In these lectures, Marshall portrayed the extension of citizenship rights in terms of a progressive tale of democratization and class-abatement. Based on the British experience, Marshall locates the origins of the struggle for citizenship with the affirmation of civil or legal rights in the eighteenth century. The nineteenth century gave rise to the inauguration of political rights. The struggle for citizenship reached its completion in the second half of the twentieth century with the attribution of the social rights, which Marshall defined as:

> ... the whole range from the right to a modicum of economic welfare and

> security to share to the full in the social heritage and to live the life of a civilized being according to the standard prevailing in the society. (Marshall 1963: 74)

Protecting the vulnerable and preventing the disadvantaged from becoming vulnerable lies at the heart of Marshall's social ethic of 'equal social worth'. As such, the welfare state held out a promise of the enlargement, enrichment and equalization of people's 'life chances' (ibid.: 107). Most important, the introduction of a universal right to real income, 'not proportionate to the market value of the claimant' (ibid.: 100), for Marshall, was the key institutional innovation of the postwar welfare state.

Marshall's conception of citizenship revolves around three constitutive elements. First, citizenship is about the membership in a nation-state and a relationship between the state and citizens. Second, it delineates a bundle of universal rights. Third, it refers to a particular collective identity of a political community, within which citizenship rights can be exercised. As a bundle of rights, according to Marshall, citizenship is inspired by and in turn can strengthen:

> a (...) direct sense of community membership based on loyalty to a civilization which is a common possession. It is a loyalty of free men endowed with rights and protected by a common law. Its growth is stimulated both by the struggle to win those rights and by their enjoyment when won. (ibid.: 96)

In other words, social rights not only provide individuals with a sense of material security against the adverse effects of poverty, illness, disability, unemployment and old age in a territorially bound state. In turn, social security encourages a sense of belonging and commitment to a kind of society, i.e. the welfare state, within which citizens live.

Marshall was not silent on the obligations for effective social citizenship. He writes: "If citizenship is invoked in the defense of rights, the corresponding duties cannot be ignored" (ibid.: 123). Nevertheless, Marshall was fully aware of a 'changing balance between rights and duties' in the postwar welfare; whereas precisely defined 'rights have multiplied', there are only a few citizenship obligations that are really compulsory, such as the duty to pay taxes for welfare benefits and social services, pursue an education, and serve in the military. Many citizenship obligations have turned into informal, non-committal and rather vague responsibilities (Marshall 1963: 129; Janoski 1998: 106).

Contemporary students of social policy have criticized Marshall's rather 'whiggish' portrayal of the progressive extension of citizenship. While perhaps aptly capturing the British experience, Marshall's logic of social progress has been found wanting when applied to other national experiences. In Germany, for instance, social policy innovation came first, so as to compensate for deficient political rights (Bendix 1964; Esping-Andersen 1990). Feminists have criticized Marshall for the absence of gender from his exposition. To be sure, a theory of 'social citizenship' that is merely applicable to male breadwinners as right-bearing citizens, cannot claim universality (Pedersen 1993; Pateman 1988; Vogel 1991). In defence of Marshall, I would like to emphasize that today there is much cross-national congruity in terms of citizenship rights. All the advanced democracies of the European Union are fully committed to the rule of law, parliamentary democracy, gender equality and the welfare state. Over the last two decades, the European Commission in particular has actively pursued regulation in the area of equal pay and

equal treatment at work and in matters arising from pregnancy (Meehan 1993).

More importantly, Marshall, writing at the apex of the 'Golden Age' of postwar prosperity and full (male-breadwinner) employment, did not fully appreciate the immanent tension between 'negatively' defined civil rights and 'positively' defined social rights (Offe 1993). Civil rights, by virtue of being defined in negative terms of government non-interference, are operationally precise and can as such more easily be enforced. By contrast, social rights, defined in substantive terms of need, imply affirmative state action of meeting the needs of the vulnerable. By their very nature, social needs can never be precisely demarcated. Social rights, designed to foster an equalization of 'life chances', oblige the political community to interfere in and modify the distributive consequences of market processes. Offe rightly states that any standard of social rights is inherently subject to potential upward as well as downward adjustment depending not only on changes in political commitment towards redistribution and state capacities to administer and implement social policy legislation, but also on aggregate economic performance. Consequently, the question of 'how much' is good enough, and 'what kind' of social services are required, on behalf 'what categories of people', and at 'whose expense' can never be unambiguously settled.

The recent rediscovery of the concept of citizenship has brought together two different intellectual perspectives to the debate, which are worth relating to Marshall's classic contribution. These are civic republicanism and communitarianism (Beiner 1995; Kymlicka and Norman 1995). While sharing in a critique of liberal political theory, civic republican and communitarian authors adhere to distinctly different normative foundations of their respective conceptions of citizenship. Civic republicans endorse a more restricted political understanding of citizenship, in terms of the practice of political participation in public decision-making by free, equal, autonomous and competent citizens (Barber 1984). Communitarians, on the other hand, adhere to a more general - sociologically informed - notion of citizenship, founded on shared values and put into practice in various, not merely political, 'spheres of justice' (Walzer 1983). To employ Albert Hirschmann's vocabulary: the civic republican tradition defines citizenship in terms of a 'thick' political practice of exercising 'voice' in the political forum, whereas for communitarians the moral primacy lies with a 'broader' sociologically informed sense of 'loyalty' on the basis of shared values as the normative foundation of a society-centered concept of citizenship.

Both schools have articulated pointed critiques of contemporary social policy. Civic republicans fear that the welfare state, organized around a multitude of substantive categories of need, contributes to the decline of civic engagement and a widening of the gap between public administration and the citizenry. Social policy, it is argued, encourages a privatized retreat from the ideal of citizenship as a practice of political participation. Communitarians lament the decline of the family, the waning of associational life and (civil) religion, and the erosion of an ethic of obligation (Lasch 1979; Bellah et al. 1985; Etzioni 1993; MacIntyre 1988; Selznick 1992). However much the ideology of the welfare state may underscore the affirmation of community, its operative ethos, many communitarians maintain, is decidedly anti-communitarian. Social policies, implemented through affirmative state intervention, display little concern for the integrity of the institutions of civil society.

Considering it was written at a time of the resurgence of mass unemployment and important changes in the world of work, it is rather surprising that issues of employment do not feature prominently in civic republican and communitarian literature.

Communitarians prefer to focus on other spheres of social life like neighbourhoods and schools. In the civic republican tradition there is only one notable counter-example. Judith Shklar, taking issue with Hannah Arendt's elitist disdain for the mundane world of work, maintains that self-directed economic independence through productive work took the place of honour as the object of social aspiration in nineteenth century America (Shklar 1991). For Shklar, the modern citizen has become a member of two interlocking 'public orders'. To be recognized as a fully fledged citizen he or she must not only be an equal member of the polity, as a voter, but should also be independent, which under contemporary social and economic conditions means that he or she must be an 'earner', a 'free remunerated worker', finding a source of pride in being 'self-made' (ibid.: 64). The intimate connection between work and citizenship in Shklar's understanding of citizenship remains problematic. One could question whether gainful employment, executed in hierarchically organized firms, is really able to nourish the core competencies of independent judgement and individual autonomy necessary for civic engagement in politics.

Rereading Marshall in the context of the debate between civic republicans and communitarians, I am tempted to reclassify his lectures for contemporary use as being sociological institutionalist. In line with the communitarian tradition, Marshall's lectures were empirically oriented, sociologically informed, adhered to a rather expansive conception of politics and society, and particularly concerned with the societal processes of inclusion. Unlike contemporary communitarians and more in line with civic republican reasoning, Marshall's approach is far more political. He resists the kind ethnic subculturalism that is advocated by a fair number of communitarians, who are rather silent on rights but strong on moral obligations. Marshall's state-centered, universalist, rights-based justification of the welfare state captures an empowerment strategy, sanctioned by law, to enable all citizens to exercise their basic civil and political rights, rightly underscored in the civic republican tradition, so as to let them share 'to the full' in the 'social heritage' of the nation in accordance with the 'standard prevailing in society'. Although Marshall realized that full employment for those able to work and an adequate system of benefits for those who were not were crucial to the creation of postwar political identities. Under conditions of the 'Golden Age' of full employment, he conceded that it was 'no easy matter' to revive a sense of personal obligation to 'put one's heart into one's job and work hard' (Marshall 1963: 123-124).

3 From Calvinism to consumerism?

The breakdown of the Bretton Woods monetary system in 1973 and the steep rise in oil prices between 1973 and 1979 brought an end to the 'Golden Age' of postwar prosperity and full employment and stalled the progressive expansion of social rights. While the advanced industrial societies employed remarkably divergent national strategies of crisis management during the late 1970s, cutbacks in social security were introduced practically everywhere during the 1980s. Access to welfare state programmes was made more selective, levels of benefits were reduced, and periods of coverage curtailed. Many conservative governments that came to power in the early 1980s were elected on their promise to scale back the welfare state.

The rhetoric of neo-liberalism and conservatism, touting the superiority of 'negative' economic over 'positive' social rights, appeared very convincing against the background of the rise of mass unemployment, failing Keynesian macroeconomics, and accumulated deficiencies in social policy implementation. Social policy, following the prevalent sociological critique, had not lived up to the promise of the fulfilment of citizenship

because it perversely weakened the moral fibre of citizens. This critique is echoed in the thought-provoking argument portraying the decline of the work ethic in the welfare state advanced by Daniel Bell in the late 1970s. In *The Cultural Contradictions of Capitalism* (1979), recently republished with a new afterword (1997), he argues that welfare capitalism has - unintentionally - fallen victim to its own success, because the principles of the economic realm and those of the cultural domain have led people in contrary directions. The spectre of individualism, released by the Reformation and the Enlightenment, activated the values of industriousness, hard work, thrift, entrepreneurship, and 'deferred gratification' in early-modern capitalism. Under the welfare state, ironically, individualism has encouraged the development of an alternative 'hedonist' ethos, which is fundamentally at odds with the original sober mentality of early-modern capitalism. Having dissolved the 'sacred' link between work and income, the welfare state contributed to the erosion of the traditional work ethic as a central point of moral reference. This constitutes, according to Bell, the cultural contradiction of capitalism:

> Capitalism has lost its traditional legitimacy, which was based on a moral system of reward rooted in the Protestant sanctification of work. It has substituted a hedonism which promises material ease and luxury, yet shies away from all the historic implications of a 'voluptuary system', with all its social permissiveness and libertinism. Hedonism, as a way of life promoted by the marketing system of business, constitutes the cultural contradiction of capitalism. (ibid.: 84)

Bell's cultural critique of the welfare state is based upon the presupposition that, at an earlier stage, bourgeois capitalism was supported by a strongly entrenched, morally obliging work ethic, like the one portrayed by Max Weber in his classical study *The Protestant Ethic and the Spirit of Capitalism* (1930). Following Bell, there is a paradoxical elective affinity operative between the institutions of the welfare state and its ethos of hedonism, which runs counter to the *Wahlverwandtschaft* Weber found between Calvinist doctrines and the spirit of early-modern capitalism. To paraphrase Weber: it seems that the consumerist *Gesinnungsethik* of the welfare state has driven out the original *Verantwortungsethik* of early-modern bourgeois capitalism.

It should be emphasized that the thesis of the decline of the work ethic is not only popular among conservative sociologists like Bell, but also in progressive academic circles, where there was and still is much agreement that the welfare state is no longer able to reproduce the cultural resources and economic sanctions that are necessary for stabilizing the moral obligation to seek gainful employment. This, however, for altogether different reasons than the ones suggested by Bell. Claus Offe, and more recently Jeremy Rifkin, maintain that the work ethic fails as an important function of social integration, because jobs are being 'rationalized away' by economic restructuring. Technological change and international competition increasingly put a premium on capital-intensive production, resulting in the structural elimination of work. Moreover, the time in which people partake in gainful employment throughout their lives has drastically decreased over the past fifty years. And as levels of unemployment continue to rise, Offe believes that the moral stigmatization of living off welfare will wear off. Beyond a certain threshold paid non-work or inactivity can no longer be plausibly accounted for in terms of moral default (Offe 1985; 1996; Rifkin 1996).

Is the work ethic dead or alive, or has it changed? To what extent have industrial restructuring and welfare reform contributed to a weakening of the work ethic? Or are we

to observe, contrary to the imaginative sociological reasoning of Bell and others, a strengthening of the work ethic over the past decade? On the basis of four empirical research efforts I will now chart changing value orientations with respect to work and unemployment in Dutch society.

On the basis of survey and panel research on value change in Dutch society, we are able to assess and interpret changes with respect to the appreciation of work as a moral obligation, on the one hand, and the norm of the work experience as a central life interest. The conviction that work is a moral obligation is operationalized on the basis of survey statements like: 'If someone wishes to enjoy life, he or she has to be prepared to work hard for it', or: 'Everybody who is able to work should do so'. Findings from the period from 1977 to 1985 display a relative decline in the appreciation of work as a moral obligation (Ester and Halman 1994). Interestingly, the more drastic decline in the work ethic of the late 1970s and early 1980s - a negative trend of 2.25 per cent per year until 1985 -, is followed by a marked slowdown, stabilizing at 0.8 per cent from 1985 to 1990. Additional panel research reveals inter-temporal changes in the work ethic as a moral obligation, which are far from consistent with the hypotheses of unilinear decline (ibid.: 128). In large part, the variation can be explained in terms of personal and group characteristics. Elderly respondents endorse a stronger work ethic than younger people, and more educated respondents embrace a weaker, less obliging work ethic than low-skilled workers. On the whole, male breadwinners endorse a stronger work ethic than housewives and mothers.

The evidence of the strong endorsement of paid work as a central life interest in survey research concurs with the findings of numerous opinion studies of the Dutch Social and Cultural Planning Bureau (SCP 1986; 1992; 1994; 1996). According to SCP research, the wish to partake in the world of gainful employment may, if anything, actually be growing rather than weakening. The growing appreciation of gainful employment as a central life interest in Dutch society is, in part, the result of the increased orientation of women towards labour market participation. This in turn reflects higher levels of education, values of economic independence and the conviction that labour market participation demonstrates gender equality. Today, 50 per cent of non-working women and mothers with small children aspire to a job in the future. By contrast, for a majority of elderly men (i.e. above the age of 55), while they endorse a strong, morally obliging work ethic, the appreciation of work as a central life interest seems to be receding. This does not necessarily constitute a contradiction. Older men, apparently, judge that they have worked hard long enough (SCP 1994: 166-167).

The resilience of the appreciation of work as a central life interest does not imply that work related values and aspirations have not changed. The SCP identifies an ever greater variety of work-related values underlying the general opinion that participation in the labour market remains of central importance. There is much diversity with respect to the type of jobs and particular work experiences that people seek, as is revealed in the significant drop in the number of people who aspire to a traditional, regular, full-time nine-to-five job, 5 days a week, 48 weeks per year, for 40 years. An ever growing share of the population are looking for 'large' part-time jobs, ranging from 20 to 30 hours a week. On average, more that one third of the women currently holding full-time jobs would prefer to work part-time. Of the number of women who are in 'small' part-time jobs of less than twenty hours, over a quarter aspires to a 'larger' part-time job. Among men too, there is a growing interest in part-time jobs. Next to the popular preference for part-time work, there is a growing interest in different forms of leave, temporarily allowing adult citizens to work shorter hours or interrupt the working career for a short

break to care for children or parents or go to university.

Qualitative research on the experience of long-term unemployment and welfare dependency enables us to assess the relative strength and weakness of the work ethic *ex negativo*. A study of three depressed neighbourhoods in Amsterdam, Rotterdam and Enschede (Kroft et al. 1989; Engbersen 1990), modelled on the famous study of the experience of unemployment in the early 1930s in the Austrian industrial town of Marienthal (Jahoda et al. 1933), found not dissimilar symptoms of social-psychological strain, despite far better levels of economic support: a loss of time structure, purposelessness, self-blame, strain on mental and physical health, a decline of interest in hobbies and in regular social contacts, loss of identity, a gradual loss of employability, and a distinct decline in involvement in political affairs and civic activities. Next to a dominant traditional culture of unemployment, Kroft et al. found a minority of about 30 per cent of the respondents who displayed a novel, more active way of coping with unemployment. For those adhering to this modern culture of unemployment, mostly younger and better educated welfare recipients, gainful employment is not an end in itself: It is a means, a gateway to a certain standard of consumption and life style.

Most recently the Social and Cultural Planning Bureau (1998) has updated earlier studies so as to allow for a comparison over time among different categories of active and inactive citizens (the unemployed and disabled workers) between 1974, 1982 and 1995. This study reveals, first, that inactive citizens feel less stigmatized in 1995 than in 1982, which seems to reflect an increased acceptance and tolerance of inactivity in its multi-faceted forms of structural, part-time and temporary non-participation in Dutch society. The authors of the SCP study take the increased acceptance of inactivity as evidence for the continuing decline of the work ethic. This is only true for the work ethic, narrowly understood in terms of the moral obligation to work. By contrast, in terms of the appreciation of work as a central life interest, the study shows that the inactive of the 1990s are far less resigned to losing their job than their counterparts in 1982. They are much more prepared to make efforts and concessions in order to find a job. By the same token, inactive citizens appreciate social security less as a self-evident right. On average, the SCP study suggests that inactive citizens seem to accept the new image of an 'activating' welfare state. To be sure, the disadvantages of inactivity are more keenly felt in 1995 than in 1974 and 1982. Inactive citizens feel locked out of society, suffering from feelings of uselessness, aimlessness, health problems and social isolation. One of the most striking findings is that, despite numerous reductions of benefits and restrictions in terms of eligibility, the unemployed and disabled workers report that they are equally satisfied with their financial situation in 1995 as they were in 1982. Although women continue to appreciate work and inactivity different from men, the study reveals that the gender gap is closing. Single women without children virtually have the same attitudes towards work and inactivity as men.

The overall conclusion that emerges from the above research efforts confirms that paid work continues to occupy a prominent place in the lives of most adult citizens. The dynamic of contrary value reorientations over time cannot be considered as evidence for an overall across-the-board decline of the work ethic. If anything, it could be argued that the paid job is the only 'sacred cow' that has outlived the cultural revolution of the 1960s. To say that the work ethic is alive and kicking is not the same as saying that work-related values and behaviour have not changed. Increasingly, more expressive values of self-realization, and hedonistic elements such as paid vacation and a company car, are sought after in the work experience. While Dutch society at large seems to have grown accustomed to a significant degree of inactivity, a younger generation of welfare

recipients have come to adhere to a more relaxed, instrumental, work ethic.

4 Reversing the cycle of welfare without work

If high levels of structural inactivity cannot be explained by a decline of the work ethic, under conditions of welfare state generosity and industrial restructuring, it is germane to concentrate on the interactive effect of the operation of the institutions of the labour market and the system of social security. Prima facie, persistent divergences in national experiences of reducing labour supply and facilitating labour market exit since the late 1970s indeed suggest that structural inactivity may be highly contingent on the design of national patterns of labour market regulation and social security legislation.

The structure of the link between the labour market and the welfare state is central to the path-breaking work of Gøsta Esping-Andersen (1990). Esping-Andersen highlights how social rights serve to protect the inactive - the aged, sick, and the unemployed - by providing them with social security and public assistance, so as to enable them to make ends meet without necessarily relying on their (deflated) labour market value. Esping-Andersen has coined this measure of social protection 'decommodification' (1990, 37). The degree and scope of decommodification mitigates the immediate feedback between work and income. In the language of neoclassical economics, decommodification translates into structural disincentives to seek employment, undermining the proper functioning of the labour market. Esping-Andersen's comparative study, however, reveals that any exhaustive decoupling of work and income in various welfare state regimes is the exception rather than the rule in postwar social policy. Levels of social security benefit levels are largely tied to previous work experience and are generally set below the level of last earned wages. In addition, welfare recipients are obliged by law to look for work. Sanctions, in terms of benefit cuts, can be forced upon claimants who reject job offers or refuse to partake in job-training programmes. The only welfare state regime that comes close to a fully decommodifying system is the 'social democratic' welfare state regime, of which the Swedish model is exemplary. The social democratic regime type executes a universal system of highly generous and universally redistributive benefits.

Esping-Andersen's research reveals that the Scandinavian welfare state is not fraught with excessive levels of inactivity and sub-optimal levels of labour market participation. Paradoxically, it is the continental welfare state, in which the conditional tie between work and income has remained far more intimate, that is confronted with a crisis of spiralling inactivity, falling levels of labour force participation, and jobless growth. The 'compensatory' - transfer based - welfare states of France, Germany, Belgium, Italy, Spain and the Netherlands are, according to Esping-Andersen, trapped in a pathological vicious cycle of 'welfare without work' (Esping-Andersen 1996).

Because social security benefits are predominantly financed out of payroll contributions from workers and employers, a complicated pattern of mutual interaction between investments, productivity, labour participation, wage costs and (non-wage) social security arrangements is operative under the continental welfare regime. Under increased competitive pressure, firms in high-wage economies can only survive if they are able to increase productivity. This is most commonly achieved through labour-saving investment strategies, raising productivity levels of workers through high-quality vocational training and education, and/or by laying off less productive or 'too expensive', mostly older, workers. High minimum wages and substantial non-wage labour serve here as a productivity whip. However, they can also engender an 'inactivity trap', whereby a virtuous cycle of productivity growth runs into a vicious cycle of high wage costs, exit of

less productive workers and rising social security contributions, requiring further productivity increases on competitive firms, eliciting another round of reductions in the work force. Employment disappears in sectors where productivity increases stagnate and the prices of goods and services cannot be easily raised. Moreover, if service-sector salaries are linked to exposed-sector wage developments, this logic frustrates job-growth in the labour-intensive public and private service sectors, especially at the low end of the labour market. The particular interplay between competitive adjustment and social protection in the continental welfare state has clear labour market effects: overall low employment and high levels of structural inactivity; low female participation rates; declining participation of older workers; underdevelopment of part-time jobs; and a below-average job growth in the service sector. At the low end of the labour market this engenders on the demand side a shortage of jobs for the low skilled and on the supply side a lack incentives to enter the labour market. Moreover, the inactivity trap of the continental welfare state reinforces existing 'insider-outsider' cleavages. Existing privileges of a diminishing group of 'insiders' - highly productive workers with high wages and expansive social rights - will be safeguarded at the expense of a growing population of inactive 'outsiders' (elderly workers, women and youngsters), who remain financially dependent upon either the welfare state or traditional breadwinners.

To what extent has the proverbial continental welfare state regime of the Netherlands followed Esping-Andersen's scenario of 'welfare without work'? Dutch labour market performance seems contradict the continental pathology of declining activity and rising inactivity. At a rate of 1.8 percent per year on average since 1983, Dutch job growth is four times the average for the European Union (see Table 2). Unemployment has come down from an all-time record in 1984 to less than six per cent in 1997, while the EU average remained at over eleven per cent (see Table 3). In contrast to the American jobs machine, Dutch job growth is less associated with a sharp increase in earnings inequality.

Table 2
Employment growth in the Netherlands, the European Union and selected OECD countries, 1983-1996 (in percent)

	1983-93	1994	1995	1996	1997*
Netherlands	1.8	0.8	2.4	1.9	2.0
European Union	0.4	-0.7	0.5	0.1	0.4
Belgium	0.5	-0.7	0.3	0.1	0.5
Germany**	0.7	-1.8	-0.3	-1.2	-0.9
France	0.1	-0.4	0.9	-0.2	0.2
Italy	0.0	-1.7	-0.6	0.4	0.4
Denmark	0.2	1.2	1.6	1.0	1.3
Sweden	-0.6	-0.7	1.6	-0.6	-0.4
United Kingdom	0.6	1.2	0.8	0.5	1.3
United States	1.8	3.2	1.5	1.4	2.3

Source: OECD, *Employment Outlook*, Paris, July 1996 and July 1997, Table 1.2
* estimate
** Until 1993 West Germany only

Table 3
Unemployment in the Netherlands, the European Union and selected OECD countries, 1983-1996 (in per cent)

	1983	1990	1993	1994	1995	1996
Netherlands	9.7	6.2	6.6	7.1	6.9	6.3
European Union**	9.2	8.5	10.6	11.4	11.1	11.5
Belgium	11.1	6.7	8.9	10.1	9.9	9.8
Germany*	7.7	4.8	7.9	8.4	8.2	9.0
France	8.1	9.0	11.7	12.3	11.7	12.4
Italy	7.7	9.1	10.3	11.4	11.9	12.0
Denmark	..	7.7	10.1	8.2	7.1	6.0
Sweden	3.9	1.8	9.5	9.8	9.2	10.0
United Kingdom	11.1	7.1	10.5	9.6	8.8	8.2
United States	9.6	5.6	6.9	6.1	5.6	5.4

Source: OECD, *Employment Outlook*, Paris, July 1996 and July 1997, Tables A and B
* Until 1993 West Germany only
** Not standardised (commonly used definition)

A number of interrelated developments stand out in the Dutch response to the continental crisis of inactivity (Visser and Hemerijck 1997). These are: (1) protracted wage moderation; (2) labour time reduction; (3) social security reform; (4) the growth of part-time jobs; (5) the popularity of temporary jobs; and (6), a record increase of female labour market participation.

Real wage moderation, agreed in collective bargaining at the sectoral level by trade union and employers' representatives, has contributed to curbing wage costs over the past fifteen years. Inaugurated by a major Social Accord concluded between the central union and employers federations in 1982, the sustained policy of wage moderation has helped to preserve and create jobs. Wage moderation has had an especially favourable impact on employment in sectors that produce mainly for the domestic market, making low-wage, labour intensive production profitable again. Wage moderation has also helped to improve the price competitiveness of Dutch industry. Because of continued appreciations of the Guilder, the level of inflation has been suppressed, which, in turn, has had a favourable effect on domestic wage trends, contributing to employment and output growth.

The concerted strategy of wage moderation entailed two political exchanges which followed each other in time and importance: one between workers and employers, the other with the government. In the first exchange wage moderation was traded against a modest reduction in annual and weekly working hours. In the second exchange, between the social partners and the government, which gained more prominence in the late 1980s, wage restraint was compensated for by lower taxes and social security contributions, made possible by improved public finances and a broader tax base as a result of record

job growth. The sharp increase in unemployment in the early 1980s had saddled the Dutch welfare state with a serious fiscal imbalance. Measures including a freeze of benefits, tightening of eligibility to programmes, a reduction of the duration of benefits and lowering of maximum entitlements of earnings-related benefits from 80 to 70 percent, did bring about initial cost-savings but were partly undone through collective bargaining and could not stop the rise of inactivity throughout the 1980s. By 1989 the Centre-Left Lubbers-Kok government announced a policy package of financial incentives to discourage the use of the sick leave and disability schemes. These harsh measures provoked widespread protests and nearly wiped out the two political parties - Christian Democrats and Labour, who took responsibility for them - in the 1994 general elections. Ironically, because the Labour Party, overtaking the hegemony held by Christian Democracy in Dutch politics since 1918, became the largest party, Labour leader Wim Kok was able to forge a new coalition government with the Liberals of the right and the centre. The Kok administration, despite popular discontent, stepped up social security reform. In 1996 the sickness scheme was transferred to the private sector on the basis of very stringent public rules with respect to levels and duration of benefits.

Hard won social security reform and the revived confidence in negotiated adjustment, endorsed by unions and employers, gradually concurred with a general shift in the problem definition of the alleged crisis of the Dutch welfare state. Policy-makers came to realize that the low level of labour market participation was the Achilles' heel of the continental system of social protection. Gradually, the central policy objective of fighting unemployment by subsidizing easy-exit and reducing entry was replaced by maximizing the rate of labour participation.

The extraordinary growth of part-time jobs has contributed to the massive entry of women in the labour force, and the replacement of older workers by younger, cheaper and possibly more flexible and skilled workers. With some delay, the Dutch trade unions have come around in support of these changes and taken a positive attitude towards part-time employment and flexibility. The share of part-time work has surged from less than 15 per cent in 1975 to 35 per cent in 1994, a share well above that of any other OECD country. Of all part-time employment, 75 per cent of part-time jobs are held by women: 63 per cent of all female workers are employed part-time. The incidence of part-time work among men is at 16 per cent the highest among OECD countries (see Table 4). The EU 15 average of male part-time employment is only 5 per cent. The Netherlands has the highest rate of part-timers among young people in Europe (25 per cent). This suggests that entry into the labour market is commonly channelled through part-time work.

Table 4
Incidence of part-time employment in the Netherlands and selected OECD countries, by sex, 1973-1996 (in per cent)

	Men			Women		
	1983	1990	1996	1983	1990	1996
Netherlands	6.8	14.8	16.1	49.7	59.3	66.1
Belgium	2.0	2.0	3.0	19.7	25.9	30.5
West Germany	1.7	2.6	3.6*	30.0	33.8	33.8*
France	2.5	3.3	5.3	20.1	23.6	29.5
Italy	2.4	2.4	3.1	9.4	9.6	12.6
Denmark	6.5	10.4	10.8	43.7	38.4	34.5
Sweden	6.2	7.4	9.3	45.9	40.4	39.0
United Kingdom	3.3	5.2	5.6	41.3	44.3	42.7
United States	10.8	10.1	10.9	28.1	25.2	26.9

Source: OECD, *Employment Outlook*, Paris, July 1997, Table E
* 1995

The growth of female participation is perhaps the most dramatic development. Female labour force participation has been extremely low in the Netherlands in comparison to most OECD countries. Over the last decade participation of women in the labour market increased from under 35 per cent in 1983 to 55 per cent in 1996 (see Table 5). The growth in labour force participation is concentrated among women who are either married or cohabiting: they now represent a quarter of the active labour force. The majority of working women find employment in the commercial and non-commercial service sectors. The demand for a flexible workforce in the service sector agrees with general preference of women to work part-time. There is also a growing interest among men for part-time work, so as to combine gainful employment work with unpaid family care.

Table 5
Employment/population ratios by sex in the Netherlands, the European Union and selected OECD countries, 1983-1996 (in per cent)

	Men			Women		
	1983	1990	1996	1983	1990	1996
Netherlands	69.1	76.2	76.6	34.7	47.0	55.0
European Union**	75.8	74.2	69.8	42.9	46.7	48.4
Belgium	70.4	67.3	67.3	36.6	41.0	45.8
Germany*	76.6	76.4	73.4	47.8	52.8	54.3
France	74.4	70.4	67.2	49.7	50.6	52.1
Italy	76.6	73.4	66.4	34.9	36.9	36.5
Denmark	78.4	82.5	81.4	65.2	71.5	67.8
Sweden	84.7	86.9	74.7	75.5	81.8	70.6
United Kingdom	78.7	83.7	77.7	55.3	63.7	64.1
United States	78.9	83.1	82.3	57.7	65.8	68.1

Source: OECD, Employment Outlook, Paris, July 1996 and July 1997, Tables B and C
* Until 1993 West Germany
** Not standardized (commonly used definition)

Following protracted wage moderation, labour time reduction, increase in part-time and temporary work, and the surge of female market participation, average annual working hours per worker have come down significantly since 1973 (see Table 6). However, net labour market participation increased from 52 per cent to 64 per cent from 1983 to 1994. To be sure, it should be emphasized that in terms of participation in full-time equivalents the Netherlands is, at 50 per cent, still lower than neighbouring countries (Table 7).

Table 6
Average annual working hours per employee in the Netherlands and in selected OECD countries, 1973-1996

	1973	1979	1983	1990	1996*
Netherlands	1,724	1,591	1,530	1,433	1,372
West Germany	1,804	1,699	1,686	1,562	1,508
France	1,771	1,667	1,558	1,539	1,529
Italy	1,842	1,748	1,724	1,694	1,687
Sweden*	1,557	1,451	1,453	1,480	1,554
United Kingdom*	1,929	1,821	1,719	1,773	1,732
United States	1,896	1,884	1,866	1,936	1,951

Source: OECD, *Employment Outlook*, Paris, 1997, Table G
* Total employment

The Dutch job miracle, currently praised by many observers, does represent a significant departure from the scenario of 'welfare without work' so typical of the continental welfare state. All that glistens, however, is not gold. The present state of nearly full part-time employment may be judged a second-best solution only. The current low unemployment rate of under 6 per cent does not reflect the true state of slack in the Dutch labour market. The level of structural inactivity, although declining in absolute and relative terms, including all unemployed and inactive persons of working age receiving a social security benefit and persons enrolled in special job creation programmes, remains high at 20 per cent of the current labour force. New jobs have gone predominantly to younger and better skilled recruits to the labour market, and many are part-time, sometimes for a limited number of hours only. Inactivity is concentrated among the low skilled, older workers, immigrants and women. The participation rate of older males has dropped to one of the lowest in Europe. The share of long-term unemployment has started to decrease but is still at about 50 per cent extremely high by international standards (see Table 7).

Table 7
Long-term unemployment in the Netherlands and in selected OECD countries, percentage unemployed longer than 12 months, 1983-1996

	1983	1990	1996
Netherlands	48.8	49.3	49.0
Belgium	64.8	68.7	61.3
West Germany	41.6	46.8	48.3*
France	42.2	38.0	39.5
Italy	58.2	69.8	65.6
Denmark	44.3	30.0	26.5
Sweden	10.3	4.7	17.1
United Kingdom	45.6	34.4	39.8
United States	13.3	5.5	9.5

Source: OECD, *Employment Outlook*, Paris, July 1997, Table H.
* 1995

5 Contrasting policy options

As the twentieth century draws to a close, there is much anxiety over the future of the advanced welfare state based on the conception of social citizenship, as formulated by T.H. Marshall fifty years ago. Critics point out that postwar social policy has accumulated a vast array of rigidities which impede flexible adjustment, block technological innovation and hamper necessary economic and employment growth. From this kind of diagnosis, the obvious recipe is to scale down the ambitions of social policy by way of curtailing the extent and coverage of social rights. Encouraged by American job-machine miracle, the OECD is recommending to European policy-makers that they de-regulate their labour markets, abolish or lower minimum wages, scale back social security, and give up progressive taxation (OECD, Jobs Study, 1994). European policy-makers, however, are reluctant to follow the American example of recommodifying labour, as the unparalleled expansion of jobs in the US economy has been accompanied by the emergence of an underclass of 'working poor', who are unable to acquire a decent standard of living through regular earnings.

The challenge of social policy lies in the need to find novel ways of translating Marshall's rights-based conception of social citizenship into effective policies and institutions which are able to respond to the new rules of global competition, deal with the new shape of working life and take into account the new realities of family life and the predicament of demographic aging. One constraint remains highly relevant: the 'right to work' as a right of social citizenship cannot be effectively guaranteed in a market economy (Elster 1988).

The right to work may be anchored in a qualified public commitment to help provide the opportunities to earn a living wage for citizens who need and demand it, which can be underpinned by an 'active labour market policy', but in a capitalist economy the right to work is overwhelmingly dependent for its implementation upon the voluntary co-operation of autonomously employing firms.

In the academic debate over the prospects for effective social citizenship in an age of structural inactivity, two diametrically opposed policy proposals are often advocated. 'Workfare' programmes and a 'citizen's income'. Workfare policies are designed to strengthen and repair the conditional links between work and income which have been lost with the expansion of the welfare state. The underlying philosophy of workfare is one of mutual obligations: Welfare recipients must be obliged to accept 'employment as a duty' in order to receive benefits, while the state has the obligation to provide the services that make employment possible. For Lawrence Mead, an ardent defender of workfare, forced labour and/or community care in exchange for public assistance and welfare services serves the purpose of 'remoralizing' the welfare state (Mead 1986). Those who refuse to take part in job-training programmes should have their social benefits taken away from them. As such, workfare programmes engender an ideology of 'blaming the victim': the inability to find and hold regular jobs is blamed on 'undeserving' recipients, who lack an appropriate work ethic. For the protagonists of workfare the problem at hand, the overall decline in the demand of low skilled labour, is unrelated to changes in the economy.

In practical terms, workfare programmes, as they mostly involve additional public sector employment initiatives, are rather expensive. They require intensive efforts of supervision and implementation. Most successful are policies of vocational training and education that focus on marketable skills, along the lines of Swedish active labour market policies. In the United States, mandatory job programmes, based on a workfare philosophy, have not been all that successful in achieving lasting integration of low-skilled groups into the regular labour market (Blank 1997; Handler and Hasenfeld 1997). Many initiatives appear to result in 'dead-end' solutions, which is demoralizing for participants and policy-makers alike. Far more important from a citizenship perspective is that workfare fails to meet citizenship criteria of rights and universalism. In fact, the citizenship content is completely absent in Mead's proposal to selectively put the deserving poor to work for the sake of remoralizing society.

Many basic income proponents defend a basic income policy on the presupposition of jobless growth (Offe 1996; 1997; Dore 1994; Rifkin 1996). A basic income should make it possible for people to participate more in voluntary activities beyond the sphere of regular employment, such as community care and learning. The foremost advocate of an unconditional citizen's income, in line with the principles of individual liberty and equal treatment, is Philippe Van Parijs (Parijs 1991; 1992; 1995; Parijs and Salinas 1998). A basic right to real income, granted to all citizens, represents an fully-fledged form of citizenship in terms of a universal right to real income, 'not proportionate to the market value of the claimant' (Marshall 1963: 100). A basic income fundamentally recasts the role of the welfare state. Central to a citizen's income is the fundamental disengagement of real income entitlements from employment status, wage-earning conditions, and the readiness to accept job offers. Instead of providing income support for inactive workers and their families, social protection takes place outside the labour market. By endowing every person with wealth, basic income protagonists argue that government could quit the business of providing social welfare, since individual citizens would be able to take care of themselves (Van der Veen and Pels 1995; Beer 1998).

For radical policy alternatives, like an unconditional basic income, to be adopted, they not only have to be functional to the problem at hand; they also have to be normatively acceptable to the citizenry at large. It remains difficult to translate Van Parijs' ideal of the 'right to surf' for everyone in a normatively convincing way to a world in which people's real-life moral understanding of work and social justice is rooted in conditional social policy (Jordan 1989). Large majorities in advanced welfare states of the European Union repudiate the 'something for nothing' philosophy that a basic income policy seems to endorse. In the Netherlands, 65 per cent of the population reject an unconditional basic income scheme (SCP 1994: 230).

Still, a basic income helps to reduce the costs of social policy administration and implementation. But despite these cost reductions, an unconditional basic income, given to all adult citizens, at the level of the present standards of the social minimum, is extremely expensive. A less expansive alternative is the negative income tax (NIT) alternative, which is more narrowly targeted at the needy, and which is gradually withdrawn as incomes rise. Like the basic income, the NIT requires far-reaching restructuring of present systems of taxation, social assistance, social insurance, pensions, and wage setting, incurring massive transformation costs of regime-change.

While a fundamental overhaul of the contemporary welfare state may seem too daunting a task, many of the financial and institutional constraints and moral scepticism with respect to a basic income policy could be avoided by a modest, less costly, and more economically feasible and politically viable policy option. For the continental welfare state of Germany, Fritz Scharpf has, in a number of recent publications, suggested employing the logic of a negative income tax, in the form of regressive employment subsidies, to create a low-wage job-intensive sector in the fight against inactivity (Scharpf 1995; 1997a; 1997b; 1997c). Employment subsidies for low-earning workers, Scharpf believes, are likely to improve the position of the low skilled by way of reducing gross wage costs for employers and increasing take-home pay of low skilled workers. Scharpf's scheme is fully compatible with citizenship, since it is made available as a matter of right. Scharpf believes that in Germany and other continental welfare states there is a considerable potential for an expansion of low-skilled jobs in services like wholesale and retail trade, personal services, personal and public safety, house improvements, environmental protection, tourism and cultural recreation. In North America, where wages are comparatively flexible, there has been a considerable increase in low skilled jobs in the 1980s. The North American social policy predicament is the rising class of the 'working poor'. The European dilemma is welfare-dependent inactivity - jobs rather than income. Banking on the large reservoir of social and political support for a comprehensive welfare state in Europe, Scharpf maintains that targeted wage subsidies, following a negative income tax logic, could permit a scenario of 'labour-cheapening' and job growth, without an American-style surge in poverty and inequality. This could open up a wide range of additional, economically viable employment opportunities at the lower end of the labour market. As employment subsidies are likely to increase labour demand, Scharpf believes that, if successful, subsidies could pay for themselves in terms of reduced outlays for full-time unemployment. Moreover, normatively, Scharpf's proposal of targeted employment subsidies is consistent with the prevailing work ethic and the moral integrity of an 'employment-friendly' welfare state to which ordinary citizens are willing to contribute through contributions or taxes. In reply to the kinds of objections raised by Offe, it should be emphasized that the new jobs that would be created in domestic services would neither be confronted with the kind of productivity whip prevalent in the exposed sector, nor do they create environmental

problems. Unlike workfare policies, which require additional public sector employment programmes, the negative income tax logic in Scharpf's proposal has the advantage of mobilizing private resources. Job creation and hiring decisions remain in the hands of private firms in the regular economy.

Employment subsidies can be provided to workers or employers. A tax credit could be given to individual workers or, alternatively, social security charges for employers could be reduced. For the Anglo-American welfare states, where guaranteed minimum income arrangements at subsistence level are generally not available and unemployment benefits are low and of short duration, individual tax credits and social services to support workers and their families who work for wages below the poverty line would be most appropriate. Earnings-related subsidies to working families, the so-called 'Earned Income Tax Credit', are currently the largest assistance programme for low income American citizens (Haveman 1996; Blank 1997). For the advanced welfare states of continental Europe, which guarantee levels of minimum income protection above the subsistence level, it is more appropriate to subsidize employers who are willing to hire low-skilled workers. Here the reduction of non-wage labour costs should be part and parcel of the solution to the predicament of structural inactivity.

In the Netherlands, the third Lubbers administration and the first Kok administration introduced several kinds of employment subsidy schemes (Opstal, Roodenburg and Welters 1998). The first programme, the *Work Replacement Version* (KRAP-RAP) was targeted at long-term unemployed women, ethnic minorities and low skilled groups (without a job for more than two years). Despite a subsidy of 20% of wage costs for a four-year period together with an initial subsidy of 4,000 guilders, the take up was disappointing. Under the *Melkert (2)* programme, named after the Minister of Social Affairs and Employment of the first Kok administration (1994-1998), employers receive a wage-cost subsidy in the order of about half the wage costs for a two-year period. The most recent scheme, the *Low Wage Reduction* scheme, also known as *Specific Social Security Contributions Concession (SPAK)*, covers all jobs that pay an hourly wage of up to 115% of the minimum wage. According to wage surveys of the Ministry of Social Affairs and Employment, SPAK jobs are indeed taken up by low-skilled workers. However, the majority of these jobs were occupied by new entrants, young people and partners of breadwinners, and not by already unemployed workers. In 1998, the SPAK scheme was reformed in order to raise the number of unemployment benefit recipients in the programme. All in all, the Dutch employment subsidy schemes have significantly reduced employers' wage costs, through reductions in taxes and social security contributions, instigating a decline in the tax wedge for employers who hire long-term unemployed. Employment subsidies can add up to as much as 25 percent of the annual wage.

Notwithstanding the favourable verdict on employment subsidies following an NIT logic, it is important to mention a number of practical difficulties. Policy-makers should be aware of abuse by employers who can simply lower their wage rate without necessarily creating new jobs. As many of the Dutch programmes have been targeted to unemployed people who have been out of work between one and three years, employers are tempted to substitute long-term unemployed for short-term unemployed, or delay hiring until the subsidy can be collected. Where new jobs are created, it is vital that policy-makers address the quality of working conditions. It is also important to emphasize that a policy of lowering social security contributions for employers hiring low-skilled workers takes the productivity whip out of the old equation between competitive adjustment and social protection. This could harm the incentives to upgrade skills and thus raises the danger that

the employment subsidies lock up low-skilled workers in a secondary low-wage economy from which they cannot escape. Hereby, the 'inactivity trap' is replaced by a 'skill trap'. To be sure, in a graduated scheme modelled after the negative income tax there remain clear incentives to get a better education and a better paid job. In the Netherlands it seems that this risk is relatively small for young people, who view a subsidized low-paid job as an investment in their future labour market position. A more serious social policy question is whether cuts in employers' social security contributions, as they lead to reductions in public spending, will have an effect on the overall quality of social services. For reasons of economic internationalization there has in recent years been a gradual shift in the burden of taxation away from capital onto labour. This tendency to increase the tax burden on workers could lead to tax-resistance, which in turn could incite mainstream political parties to compete on the basis of their ambitions to cut taxes, with the result of reducing public spending at the expense of the quality of welfare citizenship. It is possible to consider raising consumption taxes (VAT, excise duties, and green taxes on consumption) and taxing firms, not on the basis of employees they hire, but in terms of their capital, equipment and energy they use and the kinds of environmental damages they incur.

6 Conclusion

The postwar welfare state is founded on the normative principle of protecting the vulnerable citizens - the aged, the sick, the unemployed - from poverty and from social and political marginalization. While Marshall could assume stable families and properly functioning male labour markets, today's social policy-makers have to deal with demographic aging, the new shape of working life and the new realities of double-income households and the new rules of global competition. The Dutch experience, highlighted above, gives reason for moderate optimism. Despite some continuing weaknesses, it has contradicted the scenarios of welfare without work and of jobless growth through its combination of sustained economic growth, low inflation, responsible wage moderation, extraordinary full-time, part-time and temporary job creation together with a revolutionary increase in female labour force participation, accompanied by important social policy reform. The Dutch experience also challenges the intuitively appealing cultural thesis of the erosion of the work ethic as a consequence of the decoupling of work and income by way of social policy. Gainful employment remains an important source of social integration and economic independence. Both men and women wish to partake in regular employment, not merely to earn a living, but also for reasons of security, social status, prestige, companionship and engagement in collective action.

In order to maintain the universal and rights-based conception of social citizenship, changes are necessary in the design of social security. In particular, the paradigmatic shift in the world of work and the world at home in a globalizing economy implies a refocusing on achieving a new balance between flexibility and security. On both sides of the Atlantic, social policy has to respond to universal downward shift in the demand for low-skilled work, especially in the internationally exposed sectors, as a consequence of economic internationalization and technological change (Ehrenberg 1994; SZW 1996; Snower and de la Dehesa 1997; Scharpf, Schmidt and Vad 1998). Two policy options which may help to increase the employment opportunities for low-skilled groups are relevant. First, policies geared towards improving the quality of the workforce, through vocational training and education, are likely the reduce the number of less-skilled workers (Crouch, Finegold and Sako 1999). However, increasing the employability of disadvantaged groups through training and education is not a solution for everyone. A truly positive-sum solution also requires a concerted policy effort to increase the chances

of low-skilled workers in the regular labour market by making less productive work, especially in the domestic service sector, economically viable. The proposals of Fritz Scharpf for the use of targeted employment subsidies through the tax and social security system could play a major role here. Although gainful employment is no guarantee for a good life, targeted employment subsidies do constitute a significant step towards economic independence, self-respect, and social integration of low-skilled groups.

The current predicament of structural inactivity not only adds to the fiscal crisis of the welfare state, it reinforces labour market segmentation. By contrast, 'employment-friendly' welfare policies that provide men and women with job opportunities, help households to harmonize work and family obligations and train the population in the kinds of skills that the modern economy demands, strengthen, in the words of Marshall, the 'loyalty to a civilization which is a common possession' (Marshall 1963: 101). If the underlying normative criterion is to counter involuntary inactivity and poverty, there is every reason to support rights-based policies which are likely to result in an increase of labour force participation in persons and a decrease in hours worked, which in due course could foster a more generalized, less gendered and more nuanced work ethic. This, in turn, could help to reconfigure the moral integrity of the welfare state - in short, citizenship.

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