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## **The Dutch Welfare State: A Shift in Focus**

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## **Abstract**

Through the examination of the decentralised social policy, the Participation Act of 2015, this study looks into the effects of the shift towards activation policies within the context of the Dutch welfare state. The main objectives of the Act aimed to reduce welfare dependency and promote labour force participation by providing municipalities with new tools and powers. Despite this, the rigid approach of the Act has led to mixed outcomes across multiple target groups. The challenges faced by Rotterdam, the city with the highest percentage of poverty and welfare dependency of the Netherlands, further supports this claim. Evidence illustrates that only certain groups experienced a slight increase in employment rates, such as the group of young disabled young persons, however, issues of income stability and job security persisted. Furthermore, a disconnect is revealed between actual individual needs and the implemented activation measures, on both a national and local level. As a response to these issues, the Dutch central government presented the Balanced Participation Act, which underscores trust-based and personalised methods. The outcomes of this paper contribute to the wider discourse on the evolution of the welfare state, especially in the context of activation policies, as well as the role of local and central governments in social welfare provision. Finally, this study emphasises the importance of balancing local needs and capabilities with broader national objectives.

## **Keywords**

Activation, decentralisation, income stability, job security, the Netherlands, Participation Act, social policy, welfare state

# Chapter 1: Introduction

## 1.1 Introduction

The socio-economic relationship between the state and its citizens has been majorly reformed through the progression of the welfare state through the 20th century. Originally the welfare state came about as a reaction to the limitations brought along by hasty industrialisation, the failings of the free market, and urbanisation. It aimed to protect its citizens from the uncertainties of modern capitalist economies. The progression of the welfare state can be classified as both pragmatic as well as ideological, as it started incorporating the promotion of social justice, collective security, and state intervention. However, despite these aims, welfare states have increasingly noticed systematic complications when balancing the needs and obligations of its citizens with newly emerging and developing challenges, such as emerging labour markets, globalisation and fiscal sustainability.

Gradually, these strains are exposed through the welfare state reforms implemented within the Netherlands, with one of most noteworthy developments being the introduction of the Participatiewet (Participation Act) in January of 2015. Preceding the Act, the central government had already decentralised the fiscal distribution of social assistance benefits in 2001, allowing local municipalities to file social assistance expenditures to be reimbursed by the central government (Groot et al., 2019). Currently, local budgets are established and distributed through calculations based on population numbers, rather than considering locally implemented policies and labour markets (Groot et al., 2019). The expectation behind this was that it would lead to the adjustment of local social policies, minimising caseload at the national level.

The new Participation Act replaced the previous Work and Social Assistance Act, the Social Security Act, and the Work and Employment Support for Disabled Young Persons Act, with the aim to adopt more of an ‘activation approach’. The Participation Act aimed to shift welfare from passive support to a more active, work oriented framework. This policy shift is a significant one, as it prioritises labour-market integration over long term benefit dependency. However, under this new Act, the requirements for applying and receiving aid also became stricter, different social groups who were used to individualised policies were suddenly grouped under the same new policy, and local councils were allowed to specify what recipients have to do to keep receiving a benefit (de Beer & Bos, 2022; Groot et al., 2019). Research done by the Sociaal en Cultureel Planbureau in 2019 found that the Participation Act has not led to

a higher number of individuals reintegrating into the labour force as compared to previous trends, and even led to retrogression in certain areas (de Beer & Bos, 2022). Due to these limitations, the Dutch government proposed to reform the Participation Act, into the Balanced Participation Act, which aims to address the shortcomings of the original Act. The new legislation aims to shift focus from control-based measures, to a more trust-centred approach that emphasises individualised support to promote work participation. The emphasis on labour participation and self-reliance parallels a global trend towards ‘activation policies’ where benefits are increasingly conditional on the efforts of clients to re-enter the workforce (van Berkel & Møller, 2002). However, not all underlying motivations for the implementation of the Participation Act were considerations of the labour market. The Act was also a response to the concerns of growing costs of certain previous benefits, such as the Wajong benefits that were given out to individuals with disabilities. It shows that monetary considerations played a big factor in the shift towards activation policies, as the Dutch government aimed to save €1.7 billion through the reduction of benefit payments (Van Echtelt et al., 2019). The broader consensus of the policymakers was to transform the Netherlands through such ‘activation policies’ from the welfare state that it is currently, into a ‘participatory state’ where citizens all contribute actively to society to reduce the dependency of state provided public resources.

This paper will explore the future workings of the Participation Act within the broader framework of welfare state reform, while specifically looking at the municipality of Rotterdam. Rotterdam provides a useful case study because it has the highest rates of poverty, standing at 10.9%, and social assistance recipients, 24.0%, of the Netherlands (van Hulst & Hoff, 2019). By focussing on this city alone, localised social policy can be explored. While the implementation of the Participation Act does not signify a structural reform of the welfare state, it does signify a shift in governance and its expectations of citizens.

## **1.2 Methodology and Research Design**

The welfare state as a concept is hard to define. In most modern discourse concerning the topic, there is a debate surrounding its true definition as well as its origins. The term itself is also contested, argued by some to be a normative concept (Greve, 2022), that can reflect both a concrete set of policies as well as an ideological position. Within this research the definition of the term will be used as Asa Briggs has presented it:

*“A welfare state is a state in which organised power is deliberately used in an effort to modify the play of market forces” (Briggs, 1961).*

Bent Greve further expands on this definition by highlighting that the purpose of the interactions and relationships between the state, the market, and civil society is to maximise society's welfare function, where the degree of civil involvement within the system counteract the shortcomings of the market (market failure) (2022).

Case study research is an inquiry that focuses on describing and understanding a case such as an individual, an organisation, government, or policy (Yin & Campbell, 2018). It comprises an all-encompassing method by incorporating specific approaches to data collection and its analysis (Yin & Campbell, 2018). The primary objective of this paper is to investigate where the struggles lie in welfare state reforms, such as the Participation Act, as well as how they are experienced by the very citizens they aim to assist. This will be explored through the research question:

*How has the shift towards activation policies, particularly through the implementation of the 2015 Participation Act, influenced activation and labour market participation at both national and local levels in the Netherlands, with a focused case study on Rotterdam?*

With the sub questions:

*What is the policy theory behind the Participation Act and what are its important elements?*

*What are the experiences of municipalities under the Participation Act?*

To answer these questions in this research, a mixed-methods approach will be used, with a policy analysis and qualitative research into the lived experiences of those under the Participation Act. A policy analysis in this case is the most relevant type of analysis in order to address social issues people face, as these are often rooted in policies and laws implemented by the government (Tillin & Duckett, 2017). To map out the deliberate design of the Act and to find the objectives that were served it is necessary to look at the four key assumptions made by the policy makers that lay at the core of the Participation Act. The first assumption was that those targeted by the act are willing and able, with possible adaptations, to perform paid work. The second assumption is that the instruments provided by the Act would function as an incentive as well as to help with supply and demand. Thirdly, there was the assumption that merging three existing policies into one would simplify a complex system which would lead to higher levels of reintegration into the labour market. This should, in theory, facilitate employment. The fourth and last assumption holds the expectation that people would be



motivated to find work through the obligation and financial incentives posed by the Act (Van Echtelt et al., 2019). Scientific research illustrates how a more rigid approach can lead to a higher benefit outflow, but also that the effectiveness of sanctions greatly relies on their specific tailoring to fit the individual circumstances of the benefit recipient.

Furthermore, secondary data from reports from the Netherlands Bureau for Economic Policy Analysis (CPB), along with other relevant reports will provide qualitative insights into the effectiveness of the Participation Act. It is important to note that an online AI programme, ChapGPT, has been used to facilitate the translation of studies and documents surrounding this study, from Dutch to English. This has been checked for accuracy.

In the following chapter a conceptual and historical overview of the welfare state will be given, with an emphasis on its development in the context of the Netherlands. Then the concept of activation will be explored. The Participation Act will be taken apart and placed into context in chapter 4, where the first sub question will be addressed. Then, chapter 5 focuses on the second sub question, and delves into the Participation Act within the context of Rotterdam. Lastly, chapter 5 will provide an overview of findings and a conclusion.

In the light of the current welfare state crisis, the research question, and its sub questions, seeks to address whether activation policies genuinely facilitate labour market participation for the diverse group of people they target, or if these policies fall short, leaving certain groups marginalised. The main issue occurs when considering that activation policies may (unintentionally) ignore the multifaceted barriers that people face when entering the labour market, with the problem further extending into the relationship between national policy objectives and the realities at a local level.

It is vital to research the shift towards activation policies through the implementation of the 2015 Participation Act at both a national and municipal level, to understand the evolving role that welfare plays in the promotion of social inclusion and labour market participation. This study sheds light onto how policy theories such as that of the Participation Act, reshape its encompassing national welfare framework to reduce welfare benefit dependency by encouraging labour market integration. Furthermore, this study clarifies the assumptions that are the driving force behind activation policies, such as the belief that employment is universally beneficial to both national and personal wellbeing, through exploring the policy theory and main components behind the Act.

Investigating Rotterdam's municipal experiences further offers a grounded perspective on how local implementation unfolds in diverse socio-economic contexts, revealing the challenges and successes of decentralised welfare approaches. Further research should focus

on the impact of trust-based, individualised support within the framework of decentralised activation policies, particularly in response to emerging reforms, such as the Balanced Participation Act, to assess whether the effects of a more tailored welfare approach better serve vulnerable populations and adapts to local needs.

## **Chapter 2: The Dutch Welfare State**

### **2.1 Introduction**

Key concepts surrounding the welfare state illustrate the complexity of welfare state analysis. As previously mentioned, the term “welfare state” itself is contested and lacks a definitive origin. Briggs’ definition conceptualises the welfare state as an institutionalised use of state power to influence market outcomes, specifically targeting inequalities in both opportunities and outcomes of the labour market. This theoretical framework provides historical justification for state intervention in instances of market failure. A more recent scholar, Greve, describes the welfare state as a system where the government, organisations, and social groups work together to improve collective wellbeing (2022). He also points out that governments are under constant pressure to reduce spending, meaning responsibility is shifting towards businesses and communities to provide social support (Greve, 2022). This contributes to creating a state of permanent austerity. Furthermore, the rise of populist politics adds a new dimension to welfare state discourse, further adding to the complexity. It is characterised by an ideology that divides ‘pure people’ against the ‘corrupt elite’ with politics framed as the embodiment of the general will of the people. This changing political landscape forces us to rethink traditional ideas about welfare states and who they should serve.

### **2.2 Welfare State History and Development**

The development of the welfare state as a phenomenon did not happen overnight. Instead, the beginning of its evolution can be traced back to approximately the end of the 19<sup>th</sup> century, a time known for its rapid industrialisation and urbanisation. Migration from rural areas into growing urbanised areas worsened and intensified social risks. Early versions of social welfare implementations often addressed only very specific social risks, such as sickness, work-related accidents, unemployment, or old age (Greve, 2022).

Social reforms of Germany in the 1880s, laid out by one of the ‘Big Three’ Otto von Bismarck, can be said to have been among the first, and an important step for the development of the welfare state. His reforms were largely a response to crises and risks that came about through industrialization, and which could not be resolved within the setting of the family – in other words, a type of insurance was needed. Therefore, the reforms implemented social insurance in relation to sickness and health, industrial accidents, unemployment, and the elderly (Pierson, 2006). Merging the state and the working class into an interconnected system not

only provided social security but also settled civil unrest through the state's showcasing of civil protection against market uncertainties. However, this system, like the continental welfare states known today, assumes that those who were covered were part of the labour market, dividing the core of the labour market from the rest.

The mid-20<sup>th</sup> century, especially the period right after the Second World War, became known as the “golden age of growth” of the welfare state. During this time, the second great social reformer known as William Beveridge, laid the groundwork for social reforms that he wrote during the Second World War. Within the Beveridge Report he set out changes, mainly within the United Kingdom but also other liberal welfare states, that had a great impact and influence on the development of these states. His approach was more holistic, as he believed the welfare state was a system ‘from cradle to grave’ (Greve, 2022). It extended beyond just social insurance and instead included education, health care, housing, and poverty relief. His reforms and ideals reflected a shift in ideology that recognised social welfare as more than a conditional benefit: a fundamental human right. Regardless, the main aim of Beveridge was still full employment. As Beveridge noted, ‘the feeling of not being wanted demoralises’ (Beveridge, 1945), which he believed could be helped through partaking in the labour market. The expansion of the welfare state during this era was not only happening in the UK, but also in other Western democracies, with the belief that it allowed for more social stability and economic benefit.

The development of other welfare states however did not happen as uniformly as it did in the United Kingdom. As mentioned, the Bismarckian model relied heavily on social insurance and the integration of labourers into the state, while other states developed different approaches. Especially within Scandinavia, the focus lay more on social democratic ideals with at its core equality, universalism, and the role of the state interventions in economic development. This development was brought about by the ideals of John Maynard Keynes and created what is known as the Nordic welfare states, sometimes referred to as the Keynesian welfare states, under which the Netherlands partly falls.

Following the golden age of welfare states, the crisis epoch arrived. Starting in the 1970s, this time was characterised by fiscal pressures, a changing political arena, and an ideological shift towards neoliberalism (Pierson, 2006). The role of the market and civil society in welfare provisions increased, which led to a retraction of state responsibilities within multiple areas. According to Greve this time is known as one of ‘permanent austerity’, which he defines as: “A constant reduction in the welfare state's position in society and a continuous stronger focus on the market and civil society's role.” (2020).

During the recession of the 1980s, the Netherlands, along with Belgium, lagged behind other European welfare states in addressing social policy issues, largely due to its focus on tackling its own macroeconomics and financial crises. One of the most pressing issues at that time in the Netherlands was the extensive use of disability benefits, with approximately one million of its (then) 16 million citizens receiving such payments, which significantly contributed to high inactivity rates. The institutional structure of the disability benefit system was notably characterised by the embedded role of social partners, both employee and employer representatives (Kuipers, 2006). They exercised considerable influence in not only financing the system, but also in the administrative governance and resource allocation. The structural involvement of social partners in agenda setting, decision making, and implementation phases of social policy further complicated efforts to reform the system. In a political environment marked by multiparty coalitions, which permitted for considerable political inertia, the possibility of implementing change was limited. This institutional configuration created what scholars identify as path dependency, a concept that refers to the persistence of institutional structures, even when their broader environment changes, driven by a process of institutional reproduction that strengthens systems over time through policy outcomes they produce (Pierson, 2000). However, by the 1990s, Dutch policymakers acknowledged the need for reforms as they recognised the unsustainability of the existing disability benefit system, leading to significant cutbacks and an overhaul of the organisation and supervision of disability benefit administration. The reforms had significant consequences for both existing beneficiaries as well as future claimants. Stricter conditions were introduced that profoundly reduced the incomes of benefit claimants. For younger beneficiaries, the duration limit and reduced benefit levels meant that full disability income could be cut by over half, while those deemed partially disabled were now entitled to only a fraction of the already diminishing amount (Aarts & de Jong, 1996). Moreover, longstanding beneficiaries had to face mandatory reassessment under the revised regulations and more rigid definition of ‘commensurate employment’, which sharply decreased the likelihood of qualifying for disability. These modifications impacted all recipients relying on disability insurance, and collectively enabled the government to save 4.4 billion guilders (approximately 2 billion euros) over two years, equating to 13% of the national sickness and disability insurance budget (Kuipers, 2006).

The reforms also marked an important shift in the governance of social insurance in the Netherlands, reducing the longstanding influence of social partners, labour unions and employers, who had historically overseen and administered these programmes. Their roles and

control changed after almost a century from obligatory advisors in social policy to optional contributors. Although these administrative changes took several years to finalise, with full enactment only in 1995, the transition started in 1991 and continued amid tensions surrounding the Disability Benefit Claims Reduction Act of 1993. The allocation of supervisory and administrative roles had been a point of debate for decades, with previous efforts to reform the structure being consistently unsuccessful. However, the momentum of the parliamentary inquiry of 1992-1993 finally paved the way for a change in the system. This shift not only transformed the administration of Dutch social policy, but also symbolised a critical moment in redefining the broader structure of the Dutch welfare state and its sustainability.

The significance of the development of the welfare state as a whole cannot be understated. As argued by Abram de Swaan, the creation of a public system of social insurance was a great political and administrative invention (1988). Welfare state development is characterised by several milestones, including the institutionalisation of social insurance, the extension of citizenship rights, as well as the substantial growth of social expenditure. Social insurance programs in particular, which became central pillars of the welfare system, noted a shift in the need for collective action through recognising that certain conditions, such as old age or sickness were more than just individual hardships. This shift extended into the relationship between the state and its citizens, changing the welfare as a charitable provision into the rights of a citizen. The transformation is also characterised by a dramatic increase of social expenditure throughout the 20<sup>th</sup> century with states using an ever-growing share of national resources to fund their welfare system.

### **2.3 Political economy of the welfare state**

To understand the Netherlands' unique approach to social policy, it needs to be situated against the political economy of the welfare state, especially amid recent shifts of decentralisation. Welfare states were initially viewed as redistributive mechanisms separate from national economic productivity, with theories, like those of Pierson (2006), emphasising the link between economic strength and welfare expansion. However, the welfare state's evolution can also be seen as a response to market forces, as described by Polanyi (1944), where welfare policies shield society from market-driven inequalities. As mentioned previously, the economic boom of the 1970s marked a turning point that redefined welfare priorities from expansion to austerity. Despite this, welfare systems have also proved to be resilient, as large social programmes have become politically embedded and difficult to

dismantle (Campbell, 2002; Vis, 2009). Pierson suggests that welfare systems today reflect a complex 'new politics' rather than simple economic trends (2000), with decentralisation, as seen with the Participation Act, showing how local governance adapts and responds to the responsibilities of social policies. However, there is no unified theory on how local governments manage these responsibilities, highlighting the intricate influence that political, administrative, and financial actors have on the outcomes of decentralisation.

The traditional general systems theory as developed by Easton, offers one perspective on welfare state design, stating that public opinion shapes policy by influencing the decisions of political actors (1957). The welfare state encompasses diverse programmes and policies, which cluster into distinct welfare regimes, each defined by its own unique set of values and policy approaches. Esping-Andersen categorises these into Liberal, Social Democratic, and Continental regimes (1990). The Netherlands aligns partly with the Social Democratic model, emphasising public efforts in income redistribution and social equality, although it did develop differently from Scandinavian Social Democracies due to its corporatist origins. Compared to the Netherlands, the Scandinavian states have an even stronger emphasis on active labour market policies and high public employment. Nevertheless, the Netherlands still qualifies, at least partly, as social democratic in its welfare structure and orientation. Reform in this context is slow and complex, as specific welfare structures significantly shape policy development. Liberal regimes, common in Anglo-Saxon countries, minimise public intervention, with benefits restricted to those without market alternatives. In contrast, Social Democratic regimes, as found in Scandinavia, depend on high labour participation and offer extensive state support funded by general taxation. The Continental model, prevalent in Europe, promotes income replacement but suffers from two drawbacks: low market participation and its focus on occupation-based insurance, which has created a divide. The divide is between 'insiders', those who have stable employment and receive good benefits, and 'outsiders', who receive less protection and therefore security (Esping-Andersen, 1990).

When situated against the theoretical framework presented by Esping-Andersen, the case of the Netherlands presents itself to be a complicated one, as on the one hand it reveals characteristics to fit the Social Democratic model through its emphasis on income distribution and social equality, while at the same time its institutional foundations, rooted in corporatist traditions, imply a welfare design that moves away from the Scandinavian design. Instead, the Netherlands combined both Social Democratic and Continental welfare elements which has led to its own distinctive institutional configuration. Examples of this hybrid nature can be found in its benefit and financing structures. While it upholds universal

benefit characteristics of the Social Democratic type, these are often funded through income-based contributions, rather than exclusively relying on general taxation (van Oorschot, 2006). This is evident in the pension system of the Netherlands, where collective labour agreements and private pension arrangements compliment a state-provided benefit. The hybrid fashion of Dutch systems further extends into the approach to income replacement programmes. Despite maintaining relatively high replacement rates for unemployment, survivor, and disability benefits, reflecting Social Democratic principles, it simultaneously shows Continental features such as elevated wage costs and incentives that encourage labour market inactivity among disadvantaged groups like women and the elderly. Occupational insurance also plays a big role in Dutch social security, meaning that a person's employment status significantly determines their level of social protection, effectively perpetuating disparities between the 'insider' and 'outsider'. This characteristic aligns more closely with the Continental type.

The complexity of this Dutch arrangement has implications for future reform processes, as the existing welfare structure influences policy evolution. This institutional path dependency suggests that future reforms will likely continue to reflect this hybrid character rather than forming into any single regime type.

### **The social investment perspective**

The social investment perspective, while relatively new within welfare state analysis, represents a contrast to traditional Keynesian, liberal, and neoliberal approaches to welfare. While this perspective incorporates elements from earlier conceptualisations of productive welfare states, its modern-day manifestation is seen as a part of a broader welfare state transformation (Greve, 2022). Central to this approach is the emphasis on human capital development, enhancing qualifications, and promoting lifelong learning. However, criticisms of this perspective highlight its failure to adequately address historical inequalities within the welfare state, particularly regarding the disadvantaged in the labour market. Additionally, defining and measuring what constitutes as social investment remains unclear, with debates over which social policy fields should be included. However, activities like parental leave, childcare, elderly care, active labour market policies and education are often linked to the concept. Despite ambiguity in defining social investment, evidence suggests a positive correlation between active labour market policies and employment rates, supporting the notion that public sector spending can be productive and beneficial for societal development, and challenging the idea that it is merely an economic burden.



## **2.4 Decentralised Social Policy**

The decentralisation of social policy within the Netherlands was driven by the assumption that local authorities, with their closer understanding of community-specific needs, could better tailor welfare policies to diverse local circumstances. Although municipalities gained discretion power in two arenas, conditionality and re-integration regulations, this autonomy was limited by financial constraints.

The policy development process, with the stages agenda-setting, formulation, and decision-making, demonstrates how local power intersects with national control. Research by Broekema illustrates that while local governments possessed formal agenda-setting powers, the central government significantly shaped local policy agendas during the development of the Participation Act prior to 2015 (2022). This led to the Act becoming a requirement for municipalities to address, exemplifying how the central government maintained a strong influence even though power was officially shifted to the local arena.

A particularly big constraint presented itself through the budgetary framework that the Government put into place for municipalities. The mechanism behind money allocation has created a prospective incompatibility between needed and available resources, as calculations are based on econometric estimations rather than looking at the actual number of benefit recipients within a municipality. The implications of this structure are considerable in regard to local policy development as it has constricted the local playing field, often leading to municipalities enforcing stricter rules and regulations regardless of their local political context (Broekema, 2022). The interplay between political context and resource allocation has presented an interesting phenomenon, as municipalities with similar political ideologies can develop policies that deviate from one another due to the level of resources received. Likewise, for ideologically different municipalities the contrary may occur.

According to Broekema, there is little divergence between the position of local party branches and that of their national branch, which points to isomorphism within their party beliefs (2022). The policy deviations that did transpire often presented themselves during the formulation phase of policy change, where both current configurations and organisational factors have an influential role. Additionally, regional collaboration arrangements added another level of influence over the formation and design of local policies, complicating the decentralisation process even further. This insinuates that while on the one hand decentralisation of social policy enables local policy customisation in theory, on the other hand

the practical implementation of the Participation Act shows how local policy autonomy can be significantly constrained through the financial frameworks, multi-level governance, and institutional structures that are currently in place.

## **2.6 Conclusion**

The transition of the Dutch welfare state has undergone in the past decades reveals the difficulties and tensions brought about by decentralised social policies, as seen specifically through the employment of the Participation Act. The conceptual foundations that support the welfare state highlight the everchanging role that the state and municipalities have in safeguarding the wellbeing of their citizens. Historical development such as Bismarck's social insurance reform and the 'golden age' of the welfare state post World War II exemplify the adaptability of welfare systems in response to many types of changes. The following crisis period that was noted by fiscal pressures and the rise of neoliberalism, allowed for the development of permanent austerity and the retraction of state responsibility. This is exemplified through the significance that the Netherlands' placed on the reforming of her disability benefit system.

The Netherlands presents itself as a good case study in context of the Participation Act as it illustrates the local and national influences of decentralisation on activation and labour market participation. The intricate relationship between institutional frameworks, financial constraints, and political dynamics have influenced and formed the shift towards activation policies, as seen with municipalities attaining new discretions over welfare regulations. Research underscores how path dependency, monetary constraints, and influences of the central government have limited the variability of implementation of the Participation Act in the local context, while simultaneously decentralisation aimed to enable locally specific responses. Through evaluating the context of the evolution of the Dutch welfare state, the complexities of balancing state power and market dynamics while striving for social welfare are revealed.

Lastly, this chapter has provided the required context for the further breakdown of the Participation Act's implementation within the Netherlands, and in specific within the local context of the municipality of Rotterdam as a case study. The Netherlands offers a valuable example as it illustrates how traditional structures of the welfare state can be adapted to address modern challenges while simultaneously upholding their core principle: social protection. Additionally, through positioning the experience of the Netherlands against the wider setting

of the European Union, the historical and ideological foundations needed to understand the implications of activation policies in practice are revealed.

## Chapter 3: The Concept of Activation

### 3.1 Introduction

The concept of ‘activation’ lies central to the significant evolutions welfare states across the European Union have experienced over the past decades, especially in the way social policies tackle issues of inclusion and exclusion. Situated against the wider context of the European Union, the Dutch welfare state, characterized by its distinctive corporatist and social democratic elements (Esping-Andersen, 1999), presents itself as a compelling case study in the shift towards activating welfare policies. Within this chapter the trajectory of activation policies in the EU and within the Netherlands are examined, particularly through the Participation Act of 2015 which represents a culmination of this transformative process.

The concept of activation has marked a crucial shift within welfare state ideology. It can be said to have signified an adjustment from traditional passive forms of social welfare that prioritises income maintenance, to more dynamic approaches that promote labour market participation. This transformation aligns with broader trends of welfare state objectives, where inclusion is increasingly understood as active labour market engagement rather than mere income protection (van Berkel & Møller, 2002). This situation is explained well through examining the situation in the Netherlands. As mentioned previously, the Dutch historical approach to welfare has its roots in a corporatist framework which has undergone substantial reform as a response to economic challenges and changing market dynamics (Esping-Andersen, 1999). It promotes collaboration between employers, state actors, and trade unions. Particularly after the economic constraints of the 1970s and 1980s this transformation became clearly visible, as the limitations of passive welfare, like early retirement schemes and disability benefits presented itself more and more often. This catalysed strategic reorientation towards active policies, that were in line with broader European initiatives, such as the European Employment Strategy and the Open Method of Coordination on social inclusion (van Berkel & Møller, 2002).

Within this context, the implementation of the Participation Act in 2015 represents a significant milestone, merging various social assistance schemes into a single united framework that emphasises individuality, responsibility and labour market participation. However, the state in the Netherlands still plays a dominant role in active social policy, even when there can be considerable difference in the degree to which central, regional, and local state authorities and institutions are involved in the development of such policies. While activation policies are one of the only policies that receive support from the entire political

spectrum, being supported and justified by Anglo liberalism, Scandinavian socialism, and French republicanism (van Berkel & Møller, 2002), they have also caused critical discourse regarding its implications for social inclusion and potential risks for vulnerable people.

Within this chapter the effectiveness of activation policies in the Netherlands will be examined, by looking at the broader context of contemporary debates about welfare state transformations in Europe. Through critical assessment of the Participation Act and its implementation it becomes clear which challenges and opportunities are promoted through mandatory activation approaches.

In exploring these themes, this chapter contributes to the larger discussions about the future of European welfare states and the role of activation policies in addressing social challenges. The analysis draws on empirical evidence and theoretical frameworks to evaluate the Dutch model of activation in its objective of promoting labour market participation and inclusion.

### **3.2 Passive and Active Policies**

As previously mentioned, the concept of activation has become a pivotal theme in welfare state reform across Europe, emerging as a response to the challenges of unemployment, labour market marginalisation, and the growing use of public funds to support citizens of working age. The reforms of the welfare state, however, have increasingly come to be understood in the context of larger societal changes, suggesting that temporary measures are insufficient and long-lasting reforms have become necessary. The concept of activation rests on the distinction between ‘active’ and ‘passive’ citizens. In this framework, individuals are considered ‘active’ when they are engaged in regular paid work, or when they are enrolled in programmes specifically designed by social policy to promote labour market participation and independence from benefits. Those who are not participating in ‘regular’ work or activation programmes are labelled as ‘passive’, even if they are involved in unpaid work, such as volunteering, or other meaningful forms of participation that fall outside of the labour market. Social benefit claimants can even be prohibited from engaging in ‘passive’ work, as this decreases their labour market availability, which is seen as a barrier to inclusion. Critics have pointed out this lack of recognition within social policy, while at the same time there have been inadequacies in treating the possession of a job, being included, and being active as synonymous (Roche & van Berkel, 1997). The same is the case for being unemployed, excluded, and passive. Ruth Lister points out that under this perspective of understanding

‘passive’ and ‘active’ citizens, citizenship is reflected as a practice as well as a status bestowing rights, as only those who are actively and creatively part of the welfare policy making process can claim this ‘status’ as an ‘active’ citizen (2001).

In many European countries with established income protection schemes, activation has not always involved introducing entirely new policies. Instead, it has often followed the practice of reforming existing income protection schemes. For instance, in the Netherlands, activation reforms were implemented through the reduction of benefit entitlements, which was justified by the argument that generous passive social policies encourage dependency and inactivity (van Berkel & Møller, 2002). This approach, while often criticised, presumes that decreasing the level of income protection creates incentives for labour market participation by removing the so-called ‘poverty trap’ associated with social security. It is therefore seen as an activation measure in itself. However, recent research challenges this assumption, suggesting that reducing income support does not necessarily lead to increased labour market engagement (Pignatti & van Belle, 2021).

### **3.3 Paternal Optimism**

Within the broader shift towards activation, two contrasting ideal types of approaches to activation can be identified among those advocating for active social policies: paternalism optimists and more client-centred perspectives. The paternalistic approach, which is the current dominant attitude in many EU activation programmes including in the Netherlands, has its roots in early poverty laws and workhouse traditions. It involves imposing activation upon individuals, even those unwilling to participate, based on the belief that this is ultimately in their best interest and the interest of society as a whole. The paternalistic framework promotes a highly marketized or family-oriented conception of citizenship, as it assumes that independence can primarily be realised through engagement with the labour market, or that it assumes the family to be an alternative source of inclusion. The aim here is also to become a ‘full’ citizen, independent from welfare through market participation. Under this framework it is clear that activation is not just an opportunity but rather an obligation. Citizens are encouraged, and in some cases forced, to realise inclusion through work, and those who comply are eligible for financial compensation. Those who choose alternative forms of inclusion are often left to manage on their own. This top-down approach to activation is inherently paternalistic as it predetermines the goals and processes of inclusion without involving the individuals targeted in the decision-making process (van Berkel & Møller, 2002). In this sense,

clients are treated only as objects of social policy, with no meaningful involvement in defining what constitutes as inclusion and exclusion or how to best tackle this. By contrast, bottom-up, or client-centred approaches, sometimes referred to as empowering or enabling policies, seek to involve individuals in setting goals and finding personal paths to inclusion.

The relationship between active and passive policies also becomes more complex when viewed through a paternalistic optimism lens. Social policies, regardless of their content, intervene in the lives of the individuals they target, and in doing so shaping their relationship with the state and their role as citizens. Through imposing obligations and shaping the pathway to full citizenship, activation policies redefine the expectations placed on individuals. Activation programmes today increasingly include elements of ‘contractualisation’, structured agreements between the state and welfare recipients that are often mediated by consultants or street-level bureaucrats (van Berkel & Møller, 2002). These interactions at the bureaucratic level are crucial, as they not only define the terms of engagement with the labour market, but also influence the quality of citizenship experienced by those targeted by activation policies. In this sense, activation policies reflect deeper ideological shifts within the welfare state. This can be compared to the traditional Keynesian welfare models, which placed emphasis on income security, redistribution, and freedom of choice under beneficiaries, the new activation model really emphasises work incentives that are to lead people towards employment.

Bob Jessop identifies the crisis of Fordism and the following emergence of the Schumpeterian workfare regime as the wider context against which this transformation towards activation can be situated (1994). The interaction between governments and economies have been profoundly altered due to this transformation, with social policies becoming increasingly subordinate to and driven by the needs for economic competitiveness and flexible labour. The Schumpeterian approach, differing from the Keynesian model, places its focus on the development of workforce capabilities in order to continuously propel economic innovations within competitive markets (Jessop, 1994). Additionally, its focus is further directed at supply-side interventions aimed at increasing employability of excluded and marginalised people.

### **3.4 Political and Institutional Context**

Activation policies should also be understood in the wider context of institutional and political developments. Politically, social democrats in numerous countries embrace activation policies as a way to maintain political legitimacy through offering concessions to neoliberal critics of the welfare state and its arrangements (van Berkel & Møller, 20020), which has

permitted the avoidance of drastic welfare reductions, while concurrently shifting the focus of social policies towards market participation and work incentives. At the same time, activation policies have been justified as necessary to maintain social cohesion in increasingly flexible labour markets, where the boundaries between employment and unemployment are more fluid than ever (van Berkel & Møller, 2002). Furthermore, from the capital perspective, activation schemes aid in maintaining a reserve army of labour that can be mobilised into the workforce when needed, which keeps labour costs low and ensures that capital can be continuously accrued. In this context, Karl Marx's concept of the 'industrial reserve army' remains relevant, as activation policies can be understood as a means of ensuring employability of those who remain on the margins of the labour market, and therefore maintaining a pool of flexible labour that can be utilised whenever the economy needs it (1971).

In addition, the institutional context of activation policies has also undergone a significant transformation and has been shaped by multiple key developments. Firstly, the uniform approach to managing exclusion and unemployment has been challenged by the increasing awareness of the heterogeneity of target groups. Secondly, there is a growing recognition for the need to modify activation policies to align with the diversity of local as well as regional labour markets. Thirdly and lastly, there have been calls to reform and better service delivery under social policies, as discontent with the previous and current quality and effectiveness of administrative agencies have become more apparent. In countries with a longer history of activation, policymakers have increasingly acknowledged the diverse needs of the unemployed, leading to two interconnected processes: the individualisation of approaches to target groups and the differentiation of instruments and programs aimed at increasing employability. Shaping activation programmes to individual needs has become a key focus, especially for those who have struggled to access or benefit from existing schemes. This client-centred approach, rooted in the recognition of complex individual circumstances, necessitates a differentiation of activation measures.

In this context, EU member states have introduced a number of activation and labour market inclusion programmes, further facilitated by decentralisation. Regional, local, and communal organisations are increasingly involved in administering these programmes, as has been the case for the Participation Act. However, decentralisation does not inherently guarantee greater autonomy in activation processes and may, in some cases, deepen paternalistic tendencies, making outcomes dependent on local political environments. Simultaneously, the process of privatisation has reshaped the institutional landscape of activation, with private actors gaining more influence in the administration of activation services. Advocates for



privatisation argue that efficiency could be enhanced by breaking the monopoly of public employment services, and thus improving the quality of services. On the other hand, however, critics fear that privatisation will result in institutions focusing their efforts only on those closest to re-entering the labour market. Thereby those who are most at risk of complete social exclusion are neglected (Broekema, 2022). However, on a similar note, public institutions can and will also prioritise the most employable clients in an effort to compete with private providers, which would potentially undermine the greater goal of activation policies as a whole: social inclusion for all.

### **3.5 Responsiveness and Trust**

Scholars have long debated the capacity of welfare state institutions to adapt to ever-changing social and economic conditions. From an institutionalist perspective, welfare state policies are often conceptualised as highly institutionalised systems, characterised by stability and path dependency (Fenger et al., 2013). Christine Oliver identifies three primary sources of pressure that can drive institutional change: functional, political, and social pressures (1992). Functional pressures arise from performance inadequacies within the institution itself, while political pressures stem from shifts in power dynamics and interest changes among key actors. In the meanwhile, social pressures are associated with the divergence of social expectations, values, and needs. Welfare institutions can adapt their policies when giving in to such pressures, leading to better alignment with current conditions and potentially making them more effective in meeting the needs of society.

Responsiveness in social policy is defined as the degree to which policy developments align with socio-economic changes and shifts in the values and preferences of citizens and other stakeholders (Fenger et al., 2013). This balance is something welfare states must uphold. The rigid nature of welfare institutions, which are deeply embedded within historically institutionalised frameworks, frequently and sharply contrasts the everchanging shift in opinions of citizens. Not responding to these calls for change of citizens can lead to the consequences of diminishing public support and the undermining of the legitimacy of social policy regimes.

Two opposing schools of thought dominate the debate regarding the perceived legitimacy of the welfare state. Some argue that welfare states are in crisis, citing declining public support due to the neoliberal reforms implemented in the 1980s and 1990s (Gelissen, 2000). Others claim that the growing wealth and increasing individualisation of society have

reduced citizens' inclination to support collective social policies, which require a large chunk of public resources. Despite these varying views, empirical studies, particularly those focussed on the Netherlands, indicate that public support for welfare states remains robust (Raven, 2012).

As discussed, a key challenge in making effective and responsive social policies is ensuring they keep pace with both economic and public changes. Welfare states struggle, particularly in highly institutionalised settings, with adapting to such changes due to the fragmented and competitive nature of decision-making processes within the system. Van Gestel et al. observe that the connection between public and private actors, who often have conflicting objectives, complicates the process of policy change (2009). Exploring the degrees of policy change is crucial to understanding institutional responsiveness. Policy change may manifest itself in varying ways, ranging from stability and policy maintenance to policy innovation and termination. The degree to which welfare states can adapt their structures and processes is a good indicator for their overall responsiveness.

Trust in governmental institutions is a crucial indicator of welfare state support. However, recent studies reveal a paradox: while trust in social security systems remains relatively high in the Netherlands, broader trust in government institutions has shown a decline. This trend, explored by researchers like Rolef (2006) and Van der Meer (2010), is often attributed to both cultural and institutional factors. The cultural perspective suggests that the decline in trust stems from external shifts in societal values, while the institutional school posits that it is rooted in internal failings within the political system. Furthermore, trust in the welfare state is also influenced by the expectations of citizens of institutional performance. Countries with historically generous welfare policies, such as those who fall under the Scandinavian model, tend to enjoy higher levels of public trust and support.

### **Degrees of policy change**

Policy stability often occurs when mature policy systems exhibit a balance of power among key actors, thus preventing any significant external disruptions. However, this path may also reflect path dependency. In contrast, policy maintenance involves gradual adjustments to policy based on past circumstances or altered environments. These changes, while marginal, aim to enhance the precision of welfare state instruments, such as fine-tuning benefit levels or budget allotments. Streeck and Thelen describe this type of change as 'drift' where external conditions change while the core of policies remains largely the same (2005). Policy succession

refers to changes that remain within the established policy paradigm but involve significant adjustments to implementation, enforcement, or target populations. This type of change can be gradual, but also transformative as the collective effect of small adjustments add up to reshape the policy framework over time. Policy innovation refers to a paradigmatic shift in policy objectives or underlying assumptions. Innovation often reflects broader societal changes that may force governments to reconsider the fundamental aims and scope of their social policy. A key example is the The Participation Act, having redefined the role of labour in society and implementing extensive implications that reach across the target groups. Finally, there is policy termination, the most uncommon form of policy change. It is the most severe form of policy change and therefore usually also suggests that institutional goals are being entirely re-examined. However, when it does occur, it is often when an existing policy is considered redundant, incompatible, or ineffective and does not align anymore with new policy frameworks.

Policies can be subjected to change, for example through external factors such as socio-cultural revolutions, economic globalisation, and shifts in local or national demographics. The highly open economy of the Netherlands is therefore especially susceptible to such changes, which in turn restrict the national government in their policy making capacity (Fenger et al., 2013). Likewise, the greying population and declining birth rates of the Netherlands add extra pressures to the challenges faced, especially in the funding of social security systems and addressing shortages of the labour market. There are several internal factors to change, which include policy learning, institutional reflectivity, and political dynamics. Policy learning, as defined by Fenger et al., involves the systematic improvement of policy based accumulative knowledge and experiences (2013). This cognitive development allows welfare states to adapt gradually, ensuring that they keep up with the changing societal demands. Shifts in governmental leadership as a form of political change can serve as a catalyst for reform. However, Pierson notes that the political costs of welfare reform are high, as specific groups often bear the brunt of policy changes, while the benefits range across the population as a whole (2006).

### **3.7 Conclusion**

Through the examination of activation policies situated against the evolution of the welfare state, valuable insights have been provided into the complex interconnections between historical welfare traditions and modern policy innovations. The 2015 Participation Act reflects

this route from passive to active welfare policies within the Netherlands and illustrates a larger paradigm shift in the welfare state ideology of Europe, further signifying a new understanding of citizen rights and social inclusion, spreading beyond mere policy reform.

The theoretical frameworks behind the development of the welfare state illuminate the practical workings of activation policies. Several key components should be taken into consideration when aiming for successful welfare state transformation. This includes reflecting on path dependency, both historically and currently, the everchanging wants and needs of citizens, and the competences of institutions, locally and nationally. This chapter further signifies that not only the technical design of policies should be taken into account when determining its effectiveness, but rather also how they fit in with broader societal and institutional norms and values. This foundation emphasises the importance of evaluating activation not only as a policy framework but additionally as an adaptive approach that is prone to influence by local circumstances and challenges, offering insights into both the possibilities and limitations of activation policies as a tool towards maximum social inclusion in the Netherlands.

## Chapter 4: A New Participation Act?

### 4.1 Introduction

Participation through employment is favourable to both the individual and society. This is the main scope of the Participation Act as it was implemented on the 1<sup>st</sup> of January 2015, where it replaced the Work and Social Assistance Act, the Social Security Act, and a large part of the Work and Employment Support for Disabled Young Persons Act (Wajong). The strong importance that the policy places on the promotion of participation through the labour market comes from the idea that employment gives a sense of fulfilment, and integrates people into society, combatting potential social isolation. The Participation Act, together with Healthcare Support and Youth Services, signifies one of the three major decentralisations that have taken place in the social policy domain in the Netherlands. This means that municipalities have the lawful responsibility for its local implementation. The aims of the Act are to establish an inclusive labour market through supporting those who have the capacity to work but require assistance when starting the process of finding work. The Participation Act has attempted to streamline this process by merging previously separate systems into one framework to be applied to all individuals with a disability and those removed furthest from entering the labour market. It was expected that this new structure would simplify the process of hiring people with unique needs for employers, and it was anticipated that by taking a more holistic approach would lead to a smoother and more efficient implementation and execution of the Participation Act.

While many people are able to navigate the workings of the labour market themselves, some need assistance, a mission the Dutch government has acknowledged. To assess its effectiveness, the Social and Cultural Planning Bureau, an independent institution, has evaluated the Act, with the aim of providing insights that benefit society and the government alike.

However, now, almost ten years after the implementation of the Act, the government is in the process of adjusting the policy, striving towards an improved version, named the “Balanced Participation Act”. These modifications have major impacts, not only on its subjects, but also on municipalities who have to navigate new rules and regulations. This chapter will therefore explore the theoretical foundations of the Participation Act, examining the policy goals and outcomes since its implementation in 2015. Additionally, the forthcoming revised legislation, a Balanced Participation Act will be discussed, as well as the specific context and

application of the Act in the municipality of Rotterdam. Through this approach, a comprehensive understanding of the Act's evolution, impact, and potential future is gained, on a national and local level.

## **4.2 The Participation Act**

The Participation Act was founded on two primary goals: to reduce dependency on welfare benefits through activation and to encourage full labour market integration for individuals who can work, albeit with potential support needs. By creating a single, unified system of rules, support structures, and obligations for people with disabilities or significant barriers to employment, the Act was intended to simplify processes, which would make it easier for employers to hire people coming from welfare. The Act places a strong emphasis on the capabilities of individuals, and how these can be applied to work environments. Such an activation-centred focus aims to maximise individuals' potential and simulate them to give back to society, through becoming an active member, effectively creating a streamlined system to improve employment opportunities and increase inclusivity.

Implementing the act is the responsibility of municipalities, which are tasked by the government to encourage their citizens to participate in the labour market. Municipalities can use several tools, provided to them through the Act, to support its clients, including trial job placements, job coaching, and two newly introduced mechanisms, wage-cost subsidies and sheltered work placements. Wage-cost subsidies are financial incentives that help employers cover costs when clients they hire cannot meet the productivity requirements for a minimum wage. Sheltered work was implemented for individuals with disabilities who require modified work environments. The government wants at least 30.000 new sheltered jobs created by 2048, providing specialised employment opportunities for people who might otherwise be unable to participate in work (van Echtelt et al., 2019). The success of the Act relies heavily on the collaboration between clients, municipalities, and employers.

### **Target Groups**

The Act applies to a wide range of target groups, integrating several beneficiary groups from previous welfare systems into one to create a more cohesive and inclusive approach, and can be divided into four main groups. One of the target groups of the Act are young disabled individuals with work capacity, formerly covered by the Wajong Act, meaning that they were registered and received welfare benefits from the UVW. The Wajong regulations under the

UWV remain only for young disabled people who do not have work capacity. The Wsw-target group, composed of individuals who formerly worked under the Social Work Provisions Act, typically includes those with physical, mental, or intellectual disabilities who need customised work environments for labour market participation. The third group is known as the classic welfare beneficiaries. These people fell under the Work and Social Assistance Act, which was already under the control of municipalities before the implementation of the Participation Act. This group comprises the majority of standard social assistance recipients. The last group, non-beneficiaries, are referred to in the Netherlands as “nuggers” (van Echtelt et al., 2019). Individuals who fall into this group are registered at the UWV as job seeking, however, they do not receive any welfare benefits due to different reasons. This could be for example because they have too much personal capital. Young disabled people who previously fell under Wajong but have become non-beneficiaries and want to work (again) also fall under this group.

## **Outcomes**

As illustrated by Bastiaans et al., the outcomes of the Participation Act have varied substantially across the target groups (2024). Young disabled individuals with work capacity have experienced a notable improvement in employment outcomes, with a 9% increase in job placements (Bastiaans et al., 2024). On the other hand, however, the jobs they secure are increasingly part-time or temporary, which can result in lower income stability and an overall worsened financial position despite increased employment. Nevertheless, this group of individuals tend to remain in their work positions for at least a year, indicating some stability within this group. In contrast, the Wsw group has faced a decline of 16% in employment opportunities, becoming more reliant on benefits in the process (Bastiaans et al., 2024). Although some still find work, these jobs are also increasingly temporary. Since 2017, municipalities have used intensive support measures, such as wage-cost subsidies and sheltered work, more frequently to assist this group in securing and retaining work.

For classic welfare beneficiaries, the Act has resulted in minimal change, with only a 1% increase in employment likelihood, rising from 7% to 8% (Bastiaans et al., 2024). The chances of this group finding work were low before the Act was implemented and has remained low. Moreover, the quality of jobs available to them has declined, providing little improvement in financial or employment stability.

The outcomes for non-beneficiaries, or nuggers, are less clear. This group generally requires assistance in job searching rather than financial support, but they typically receive less

support through the Act and municipalities than the standard beneficiaries, a trend that can be observed before and after the implementation of the Participation Act.

These varied outcomes across the groups can be attributed to several key factors. First, the initial positions of clients in the labour market before the Act was introduced play a significant role (Bastiaans et al., 2024), as it can be observed that those who are closest to the labour market, such as the young disabled group, have benefitted the most. Financial incentives further influence these outcomes, as municipalities benefit from prioritising and focussing on those closest to securing employment and thus in turn invest most resources in these people (Bastiaans et al., 2024). Additionally, related policies, particularly the Jobs Agreement Act, which mandates employers' positions for individuals with disabilities, have also impacted results as these are specific to mostly one group. This can result in limiting their employment prospects under the Act. These factors highlight the complexity of implementing a single, cohesive framework for a diverse range of people within the Participation Act.

### **4.3 A Balanced Participation Act**

As a response to the growing concern surrounding the Participation Act, the Dutch government, under the Rutte III administration, initiated a multi-track programme in 2021 titled the "Balanced Participation Act". This programme seeks to reform the Participation Act, with an emphasis on trust, individual-centred services, and regulatory simplifications.

A draft legislation proposal, as outlined in a Cabinet Missive dated February 20, 2024, introduces over twenty amendments to be implemented in the short to medium term with the aim to improve the Participation Act. This proposal forms part of "Track 1" of the Balanced Participation Act programme. The Advisory Division of the Council of State (Raad van State) has acknowledged the need to reform key aspects of the Act, specifically in providing secure subsistence, encouraging paid employment, and enforcing obligations (2024). However, the Council stresses that these changes should include a more thorough reconsideration of the policy's core principles.

The Balanced Participation Act programme comprises three interconnected tracks, each addressing a distinct aspect of the proposed reforms. The First Track, titled 'Legislative Amendments', consists of a cohesive set of over twenty legislative amendments, aimed at strengthening municipal capabilities in assisting with income support, reintegration, and social engagement (Raad van State, 2024). A key part of this first stage is addressing the rigidities and challenges of the current system. Currently, the government is reviewing the results of



public consultations and implementation assessments and anticipates submitting the legislative proposal to the Council of State for further review. The need to implement these changes is also acknowledged, particularly within the constraints of the current caretaker government. Under the Second Track, ‘Fundamental Revision of the Act’, an emphasis is placed on the reconsideration of the Act’s policy principles (Raad van State, 2024). This will include aligning the Act more closely with the broader social security framework to better meet the needs of various target groups, including older adults, youths, and individuals with disabilities. Key considerations in this track include whether current goals should be revised, and which tools will best serve the Act’s diverse beneficiaries. Enhancement of Professional Expertise and Cultural Shift, known as the third track, aims to foster a shift from a control-based to a service-based approach in the Administration of the Act (Raad van State, 2024). By improving professional competence and encouraging a culture of support and trust, this track intends to create a system that prioritises understanding and assistance of individuals. This process involves collaborative efforts with organisations like VNG, Divosa, and the European Anti-Poverty Network, with an emphasis on continuous learning and sharing of best practices among municipalities.

### **Feedback from Council of State**

After review, the Advisory Division expressed its support for the government’s intent to address key areas of the Act (Raad van State, 2024). However, they also highlighted several areas that they argue requires further clarification and adjustment. Firstly, they emphasise that the Government should more clearly outline the anticipated effects of the amendments on labour market access, which is important for Track 2, where a revised understanding of policy goals and tools will hopefully lead to more access into the labour market (Raad van State, 2024). The Advisory Division further stresses the need for more detailed attention to the financial and staffing implications the municipalities will face following the policy adjustments (Raad van State, 2024). Especially concerning measures that introduce greater flexibility in service delivery need clarification. By addressing these practical concerns, the proposal can better equip municipalities to offer customised support that aligns with diverse local needs of the community. Further recommendations are also made concerning Category-Based Special Assistance, where the Division advises that statutory safeguards be put in place to ensure the restrained use of this assistance. They also ask for a well-reasoned justification for this component of the proposal. Lastly, the Division recommends that the government reviews the

rules that determine when a household is considered a shared household, particularly in cases involving caregiving family members (Raad van State, 2024). This would mean revisiting exceptions for first-degree relatives and in-laws to create a more equitable standard for individuals who share a household for caregiving purposes.

#### **4.4 A New Focus**

The original Participation Act and its successor represent two stages of welfare reform in the Netherlands, with its intention to increase labour market participation and social inclusion. The main focus of the 2015 Act was on activation in the labour market as well as reducing dependency on welfare benefits through a single system, which placed emphasis on employment integration. On the one hand the Act presented some success, however, it also revealed significant limitations, such as having minimal impact on several target groups, and leading to an increase in temporary contracts rather than permanent ones. The three key tracks that are presented through the Balanced Participation Act are a contrast to the original strict control-based tools and move towards a more trust-based approach. Where the 2015 Act had its focus on employment outcomes through the use of tools like sheltered work and wage subsidies, the Balanced Participation Act concentrates more on providing individualised support to its clients. In addition, the latter Act further acknowledges the need for social inclusion. The philosophical approaches of the Acts are also where their fundamental differences can be found; the original Act targets labour market integration above all, while the Balanced Act acknowledges the need of citizens for secure subsistence and their individual, as well as slightly wider local needs.

#### **4.5 Conclusion**

The Participation Act marks a pivotal shift in Dutch welfare policy. It has provided municipalities with new tools such as sheltered work and wage-cost subsidies, all with the aim to reduce welfare dependency and foster inclusion into the labour market through a single framework, for a diverse group of people. The concept of activation lies centre to the policy theory of the Act, once again placing the emphasis on individual capabilities and their potential positive interactions with the labour market, ultimately aiming for full social inclusion and labour market participation. The Acts policy theory further relies on two main assumptions: first, it assumes that the standardisation of its regulations and support structures will improve labour market participation by removing barriers and incentivising employers to hire welfare

recipients, and second, it assumes that placing people in jobs, even when temporary, is beneficial for both personal and social integration. These assumptions have led to differing outcomes across the target groups, as shown by the results of the Act. Although it frequently came paired with low job security and income stability, the young disabled target group were the only ones who saw a notable improvement in their situation. This does, however, note a potential mismatch between the focus on activation and the true needs of the people the Act serves. Furthermore, it is clear that not all activation tools that the Act presents are similarly effective across target groups, as the classic welfare recipients and the Wsw group saw only a minimal improvement under the same framework.

To combat the limitations that have been illuminated by the Participation Act, the Dutch government introduced the Balanced Participation Act, a policy reform representing a fundamental philosophical shift from control-based methods, towards a nuanced and trust-centred system that prioritises the needs of individuals. The three-track approach of the Balanced Participation Act, which includes legislative amendments, fundamental policy revisions, and the development of frontline capabilities, further underscores the recognition of the central Dutch government for the need for change.

## **Chapter 5: The Participation Act in Rotterdam**

In this Chapter of the paper, the nuanced approach that Rotterdam has taken in applying the Participation Act, will be discussed, drawing on the policy framework of the municipality and independent research. Here open AI has been used to aid the translation of studies from Dutch to English.

### **5.1 Policy Framework**

Rotterdam's local policy framework has been outlined in *Mensenwerk Duurzaam aan de Slag*, which outlines three key focus areas: to deliver exceptional service to job seekers, to There are three key focus areas in Rotterdam's local policy framework, which are delineated in *Mensenwerk Duurzaam aan de Slag*, mainly: delivering exceptional service for individuals job seeking, promoting a sustainable transition out of welfare, and improving citizens' income security (Gemeente Rotterdam Werk en Inkomen, 2019). These priorities show an overall attempt at combating the multifaceted challenges regarding the act, with a clear focus on reducing welfare dependency. The objective was to decrease total welfare recipients from 37,700 in early 2018 to 30,000 by the time the policy cycle ended (Gemeente Rotterdam Werk en Inkomen, 2019). The municipality has claimed to be committed to improving individualized support, bettering treatment for welfare clients, and targeting interventions to both address income stability and integration. Despite their commitment, progress has been slow in Rotterdam, with increasing entries into welfare strongly countering the positive impact of those transitioning to paid employment. This exemplifies the importance of sustained interventions, to ensure individuals not only achieve employment but also remain employed in the long term.

Rotterdam's welfare demographics have seen significant change in recent years. Trends indicate a notable shift in populations receiving welfare, with an increase in those far removed from the labour market, resulting in a decreasing proportion of those "job-ready" as well as an ageing population and increasing average time-dependency on welfare benefits. The *Prestatie010* programme works with people farthest from the labour market. This demographic has expanded from 15,000 in 2014, to 21,000 in 2018 (Gemeente Rotterdam Werk en Inkomen, 2019). In addition, the average age of those receiving welfare has increased from 44.2 in 2015, to 45.5 in 2018, with the 55+ group expanding from 24% to 29% of total welfare recipients (Gemeente Rotterdam Werk en Inkomen, 2019). Furthermore, the duration of welfare benefits grew from 78 months to 86 months within three years (2015-2018), indicating that older recipients may face more obstacles in exiting welfare. Generally, the welfare population in

Rotterdam suffers from low educational achievement, with around 65% with low educational qualifications, a number that increases to 75% when looking only at those enrolled in the Prestatie010 program (Gemeente Rotterdam Werk en Inkomen, 2019).

Having recognized the complex needs facing its citizens, Rotterdam is attempting an integrated approach to employment support. Such an outlook recognizes the inherently interrelated nature of an individual's income and financial concerns with their psychological and physical limitations, access to social support systems, language capacities, and debt situation. This is essential to consider as about 5,500 individuals on welfare have psychological limitations, and another 6,700 have physical limitations, both of which present significant obstacles to employment (Gemeente Rotterdam Werk en Inkomen, 2019). Further, language proficiency results in a strong barrier to entry for many, constraining integration and inclusion, often despite meeting official legal language requirements. Finances are also an important source of stress, according to the "Reset Rotterdam" policy framework, as about 40% struggle with debt (Gemeente Rotterdam Werk en Inkomen, 2019). To address this and better serve the needs of its citizens, Rotterdam integrated income assistance programs with other social support measures, including youth protection services and support within the Social Support Act (WMO).

### **Changing labour markets**

In addition to the municipality's internal policy framework, the implementation of the Participation Act has been influenced by the broader current economic and labour market context. With steady economic growth, the region has seen strong job creation within the sectors of healthcare, welfare, employment agencies, ICT, and retail. However, the growth has been accompanied by a shift to increasingly flexible and precarious types of employment. Notably, unemployment has seen a drastic decline in Rotterdam since 2014, from 12.6% in 2014 to 5.8% in 2019 (Gemeente Rotterdam Werk en Inkomen, 2019). Although unemployment is higher overall in Rotterdam than Amsterdam, Utrecht or The Hague, the decrease has been the most significant. One major issue faced in Rotterdam's employment market is the disparity between the skills needed for available jobs and the qualifications of job seekers. This divide obstructs the city's capacity to effectively leverage its potential economic growth, while perpetuating the vulnerability of welfare recipients. Thereby, its essential to utilize its social policy to close this gap through initiatives such as targeted training and

educational programs which can reskill and upskill jobseekers to adapt human capital to market needs.

The trend towards flexible employment expanded within Rotterdam in line with the rest of the Netherlands, with the number of flexible workers nearly doubling from 1.1 million workers in 2003 to 2 million in 2018 (Gemeente Rotterdam Werk en Inkomen, 2019). Flexible contracts have been especially prevalent among unskilled workers, with around 45% holding temporary or part-time positions. Although some individuals choose for a flexible contract, for many low-skilled workers this arrangement is not voluntary and can lead to problems such as income instability, lack of training, and limited career growth opportunities. It therefore comes with no surprise that UWV and CBS have reported that much of the employment growth Rotterdam has seen in recent years has been in jobs with flexible contracts and self-employed workers (Gemeente Rotterdam Werk en Inkomen, 2019). Flexibility in contracts reflects the preferences of employers for adaptable labour, but also created challenges for many workers and should therefore be addressed within policy, protecting and supporting workers in transitioning to more stable forms of employment.

### **Income Security**

Income security is the cornerstone of Rotterdam's welfare policy. As detailed in "Mensenwerk Duurzaam aan de Slag", income loss can quickly lead to new or worsened uncertainties and financial stress for those on welfare, weakening their market position (Gemeente Rotterdam Werk en Inkomen, 2019). Therefore, providing a steady income, whether through benefits, part-time work, or reintegration into full employment is critical to reducing stress and creating a foundation for activation. Yet, Rotterdam's policies recognise that income security can extend beyond mere benefit payment. Unpredictable incomes and the complexity of rules and processes can further contribute to a sense of uncertainty, especially to the more vulnerable groups of welfare recipients. Accordingly, Rotterdam's approach prioritises providing clarity and transparency to its clients, reducing the complexity of welfare processes, recognising that this can have a substantial impact on their wellbeing and financial future.

## **5.2 "De Tegenprestatie"**

One of Rotterdam's more unique welfare policies is "De Tegenprestatie", or Quid Pro Quo. It embodies the city's commitment to activating long-term welfare recipients. Since its

implementation in 2013, this programme imposes mandatory participation and the completion of socially beneficial activities on welfare recipients. Since then, it has gone through several name changes, now being known as the Prestatie010 programme, but inherently stayed the same. The programme serves as an activation policy aimed at long-term welfare recipients. Two primary groups of welfare recipients are distinguished; those who are unlikely to find employment within 24 months, a cohort characterised by long-term benefit dependency and limited recent market experience; and those expected to re-enter the labour market in the near future, who are thus obligated to pursue job applications under a different track of the Participation Act. Recognising that even minimal work engagement could benefit long-term welfare recipients, Prestatie010 requires them to perform individually set social activities in exchange for their benefits. This activation policy acknowledges the diverse needs and capabilities of its participants, exemplified through the programme allowing for flexible adaptations, such as reduced hour requirements and alternative activities which are focussed on personal development (de Vries et al., 2019). While they are not explicitly targeting reintegration into paid employment, instead they intend to foster community engagement, offering structure, a sense of purpose, and an expanded social network, the municipality has noticed that offering such activation could potentially have a positive effect on reintegration in the long run (de Vries et al., 2019).

Under the programme, participants are expected to engage in these unpaid activities for at least 20 hours per week, ranging anywhere from community service to a caregiving role. However, the requirements can be adjusted when a recipient cannot meet these in full. Activities can be chosen by the clients themselves, but are subject to caseworker approval, must contribute to society positively, and cannot compete with the opportunity to engage in paid labour. When a client faces challenges preventing them from engaging in social work, they are directed toward preparatory activities instead, such as sports or language courses, as this could facilitate future community work.

Prestatie010 was introduced in Rotterdam throughout 2013-2018 within 74 neighbourhoods (de Vries et al., 2019). Caseworkers followed a two-step procedure. First, they would determine to which target group the client belonged, either those expected to find work within 24 months, or not, in which case the client would be included in the programme. Second, those selected to join Prestatie010 would be invited for a one-on-one meeting with the caseworker to discuss, plan, and register activities. It would be made explicit to the client that engagement in the planned activities was mandatory, and not doing so could lead to a reduction

in welfare benefits. In practice however, it was found that the monitoring of these activities was minimal (de Vries et al., 2019).

Research on the impact of Rotterdam's activation policies reveals mixed but insightful results. According to a 2023 study by Bastiaans et al. the Prestatie010 programme has had limited effects on employment outcomes and welfare dependency (2023). The study explored the effect of Prestatie010 on the mental health of its recipients. It was found that employment and benefit receipt rates remained largely unchanged, with some marginal reductions in welfare reliance, but those were statistically insignificant. On the other hand, what they found was a positive effect on mental health medication usage, with the programme leading to a substantial reduction (Bastiaans et al., 2023). The outcomes were more prominent for men, which corresponds to previous studies showing that men tend to suffer more than women when being inactive long-term. The researchers alert that the reduction in mental health medication use is not an explicit indicator of well-being, as stopping medication is not always a signal of good health. However, the effects found are likely favourable due to several factors. The relatively low barriers to healthcare access within the Netherlands, together with no increase found in the usage of other or new mental health care, imply that the mental health benefits from following the programme are genuine (Bastiaans et al., 2023). Overall, the study demonstrates that activation programmes, especially those that are not primarily focussed on labour market integration, hold the potential to improve the lives of long-term welfare recipients, highlighting the value of holistic approaches to inclusion and activation that extend beyond employment-centric objectives.

### **5.3 National vs Local Policy**

The national Participation Act and Rotterdam's local implementation reveal significant contrasts in approach and outcomes. Firstly, the decentralisation of social policies has had a major impact on municipalities, with the revisions of the Participation Act further enhancing significant challenges and opportunities presented to municipalities, such as in Rotterdam. While the revised Act aims to improve individualised service delivery through expanding powers of municipalities, it simultaneously places considerable demands on their resources and capabilities. Rotterdam has faced pressure in implementation since the decentralisation of social policies due to how labour intensive it is to provide services, in terms of staffing and finances, along with narrow interpretation of existing laws and the original Act.



A key difference between national and local implementation of the Participation Act lies in the flexibility and resources available at the municipal level. The new revisions of the Act expand the discretionary space of frontline professionals, hopefully moving beyond the previous narrow interpretation of regulations. However, the increased authority also comes with increased responsibility. Rotterdam must actively make use of discretionary provisions, while developing their own version of social policy that incorporates input from welfare recipients. These challenges are made more complex by Rotterdam's diverse community and their wide-ranging support needs. While the Act pushes for more personalised services, there is a concern that different municipalities might end up providing varying levels of support based on the resources they have available. This is especially important for Rotterdam because of its large number of welfare recipients. The current lack of clear direction from the government about how to implement these changes, and what resources will be available, makes it difficult for Rotterdam, or any municipality in that case, to guarantee it can provide personalised support the Balanced Act calls for, while ensuring all neighbourhoods and individuals receive the same service quality. This is something only time will tell.

While the overarching national framework of the Participation Act aligns with the broader goals of Rotterdam's local policy framework, Rotterdam has developed a more nuanced approach, which emerged even before the Participation Act was implemented in 2015. Their approach to the implementation of the Act has focussed on reducing welfare dependency, providing more individualised support, and improving income security for its citizens. However, despite these efforts, progress has been hampered by the high number of new entries into welfare and an increasing portion with complex needs, such as older beneficiaries or those with physical or psychological needs. The city has integrated its welfare services with additional support systems, recognising the importance of addressing non-financial barriers to employment. *Prestatie10* is an example of such local adaptations, combining activation with flexible interventions. Furthermore, the distinct demographic challenges of the city, like their ageing welfare population, increasingly longer welfare duration, and a growing group of people qualifying for *Prestatie10*, have necessitated these local adaptations beyond the national framework. The unique response of Rotterdam, specifically through its *Prestatie10* programme, demonstrates how municipalities can interpret and adapt national policies to meet local needs.

## **5.4 Conclusion**

The case study of Rotterdam sheds light on how the Participation Act as an activation policy manifests at the local level, particularly within the limitations of budgetary and policy constraints. Rotterdam's municipal implementation on the one hand

Looking towards the future, the Balanced Participation Act's emphasis on trust- and individualised-based services, as well as its regulatory simplifications, align well with Rotterdam's existing integrated approach. However, the city faces distinct challenges in implementation, particularly given its complex demographic and resource constraints. The Council of State's recommendations to the government to provide clearer guidelines on financial implications and staffing resources are therefore especially relevant for Rotterdam. The experience of Rotterdam suggests that future success depends on maintaining a balance between national policy objectives and local implementation, particularly in addressing the needs of those furthest from the labour market. To foster collaboration and a more unified adaptation of the Act across municipalities, the integrated approach of Rotterdam combining employment support with other social services could serve as a model, although its effectiveness will largely depend on adequate resource allocation and continued flexibility in implementation, provided through the Balanced Participation Act.

## Chapter 6: Conclusion

This Chapter concludes the exploration of the question *How has the shift towards activation policies, particularly through the implementation of the 2015 Participation Act, influenced activation and labour market participation at both national and local levels in the Netherlands, with a focused case study on Rotterdam?* As well as the sub questions: *What is the policy theory behind the Participation Act and what are its important elements?* And: *What are the experiences of municipalities under the Participation Act?* By combining insights from policy theory, municipal experiences, and the outcomes of the Participation Act, this conclusion addresses the main research question and sub-questions, offering a nuanced understanding of the Act's impact on various target groups and the broader Dutch welfare state.

The implementation of the 2015 Participation Act in the Netherlands has had varying impacts on activation and labour market participation at both the national and local level, which is supported by the exploration of the case study of Rotterdam in Chapter 4. The Act is grounded in policy theory that strongly focuses on the capabilities of individuals and their labour market contributions and characterises a fundamental shift in Dutch welfare policy. Again, its central aim is to reduce welfare benefit dependency through the promotion of labour market participation with the basis for this being that participation increases social integration and leads to positive individual developments. There are two assumptions that the Acts framework is based on: the first being the belief that creating a clear and consistent set of guidelines supported by suitable mechanisms aids individuals in their way to employment, and the second approach relies on the belief that any form of work, even parttime or temporary work, is more beneficial than receiving social welfare benefits, with the consensus that this stimulates personal and societal growth.

By collecting multiple welfare provision schemes and putting them into a single framework, the Act also merged target groups that previously dealt with differing rules and regulations. Municipalities are provided with a considerable responsibilities and specific tools in order to aid the implementation and workings of the Act in the local arena.

### 6.1 National-Level Outcomes

Looking at the effects on a national level, the Participation Act has led to only a few improvements in employment across its target groups. The Young Disabled Individuals group has seen the most considerable difference, with a 9% improvement in employment placements. On the other hand, these jobs mostly do not provide individuals with income security and are

more often temporary or part-time, illustrating the limitations that come with finding employment through the Act. For the Wsw target group, the outcomes showed a decline in employment rates of 16%, which has led to more individuals becoming dependent on welfare benefits. Furthermore, the classic welfare recipients saw the lowest amount of change after the implementation of the Act, with only a single percent increase in employability. These differing outcomes across the target groups implies that a revision of activation tools is needed.

These varied outcomes across multiple groups of the Act further suggest policy tension as on the one hand activation policies intend to get individuals to a point of self-reliance, while on the other hand they often unify the many different challenges faced, ranging across the target groups. Furthermore, the focus of the act lies mostly on those closest to the labour market, which can be seen in the aim to standardise measures. This can be harmful to those most far removed from the labour market, as they often experience more complicated and intricate problems. Moreover, the two main assumptions behind the act may clash, which is highlighted by the decline of the monetary situation of multiple target groups, as well as the limited job qualities that are made available to them.

## **6.2 The Local Experience of Rotterdam**

Rotterdam, being the city with the highest rates of poverty and social assistance beneficiaries within the Netherlands, provides a compelling case through which to explore the workings of the Participation Act on a local level. It is clear that the municipality has adopted unique strategies to deal with the various needs of its citizens, implement the workings of the Act through integrating social services with employment support. However, Rotterdam still faces multiple difficulties in providing their efforts. These include monetary constraints, a very high need for social assistance, and a wide-ranging demographic across its population. These issues really illustrate the broader problems that municipalities face in navigating the Participation Act while trying to focus on local needs. While several activation tools have been beneficial to Rotterdam in promoting labour market participation, the trend do align with national ones, with available jobs being more increasingly temporary and part-time, which provides little stability to those who need it most. This really emphasises a critical problem presented by decentralised welfare, being that the constraints placed on municipalities to innovate by monetary and regulatory limitations often outweigh the little space they do get to modify parts of the Act's framework.

### **6.3 Towards a Balanced Participation Act**

The Balanced Participation Act was a response of the Dutch central government to the limitations presented by the original Act. The new Act is to focus on the individual it intends to help, by moving away from control-based methods, towards a holistic and trust-based approach. The new Act is based on a three-track approach, going from legislative amendments, to a policy revision, to leading to a transformation in administrative culture. This new approach points to an understanding for the need for change and individualised needs, coming from policymakers.

The Balanced Participation Act is a prime example of the wider trends of welfare, moving towards prioritising income security and a less rigid system, and away from the compliance-based atmosphere that has been created. In other words, it is becoming clear that there is more nuance to social inclusion through activation than simply providing people with employment. This shift that comes with the Balanced Participation Act can be valuable for municipalities, like Rotterdam, in their approach to social welfare as it could lessen the challenges faced under the initial framework.

### **6.4 Conclusion and reflection**

The transformation that the Dutch welfare state has undergone, reflected in the implementation of the Participation act and its successor, has greatly impacted the relationship between national policies and their local implementation under a decentralised policy framework. It has been made clear through the Dutch experience that in general activation policies can lead to higher employment rates, however often times this comes with limitations of some sort. Local outcomes can be too dependent on financial resources and market flexibility, both nationally and within the municipality.

It is important to create flexible, individualised approaches when it comes to activating individuals towards market participation, and a balance between national goals and local contexts is needed, as reflected in the social policy framework of the Netherlands and the local context of Rotterdam's case study. A big emphasis should be placed on providing sufficient resources, flexibility towards clients, and the recognition that every individual has their own needs and complexities.

The exploration of the evolution of the welfare state and the revision of its activation policies in the Netherlands has shown that while labour market participation is and remains a very critical factor to social inclusion, stability between activation and support of individuals,

and national supervision and local compliance and innovation is of utmost importance. However, it can be said that the Participation Act embodies the journey towards a more inclusive and responsible welfare state, that does not act solely out of economic considerations, but also aims to provide its citizens with alternative forms of participation, through dignity and stability.

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