

*Looking into the short-term future: what impact will the economic downturn have on policy responses*

Mister chairman, dear colleagues, Ladies and gentlemen,

I am asked to look into the near future. But first I must confess that until yesterday I did not know for certain, that I would be able to address you here today. The Dutch cabinet is facing some major decisions and until late yesterday it was not certain whether my colleagues would be willing to defer them until my return from Stockholm.

How can you ask from a person who is not able to plan even one day ahead, to provide a thoughtful comment on how the future will be unfolding in the short term. We weren't able to foresee the present crisis and to take preventing measures, so what makes us believe that we will be able to predict its evolution. The unpredictability of the crisis and its development is one of its most destabilising aspects. But isn't the future a progressive elimination of probable futures, instead of the progressive realisation of a given future.

It is too short to know all its impacts. I don't know how long the crisis will last and nobody knows the troubles we will have seen before it is over. One thing is apparent; the present economic downturn will inevitably result in a major loss of work and jobs. Most of us are witnessing that development and I very much doubt that we have seen the worst of it, at least in my country.

That in itself is a major conclusion with regard to social policy. The essence of the changes and progress that has been made over the past years is the growing awareness that social security lies in the provision of work and jobs. We measure the success of those policies in the number of people that have returned on the normal labour market and that are no longer dependant on social benefits. If we are therefore facing a severe

loss of work and jobs, it means that we are losing the means to provide assistance, social security and social growth.

Our policy will therefore have to focus first of all on helping workers who are facing redundancy to find other work as easily and quickly as possible. Preferably before they become unemployed. This prospect of other work does still exist. There are and will continue to be job vacancies. In the longer term we are facing a growing and permanent shortage of workers in various sectors, if only as a result of demographic developments. This requires in both the short and the longer term a flexible labour market in which employees can switch smoothly from one job to another.

At present, we are talking mainly about providing guidance for workers who lose their jobs as a result of the financial and economic crisis. For them we have managed in the space of just a few months to set up a network of employment mobility centres. These mobility centres – which is our name for job centres or career change centres – try to help workers faced with redundancy to find other work as easily and quickly as possible. The aim is to get them back into work as quickly as possible. Workers who first become jobless and sit at home on benefits have less chance of finding a new job quickly.

For the same reason one of the worst reactions to the present employment crisis is a return to former policies of early retirement or of using disability programs as a solution to unemployment; as means to hide it. Both policies have been practised in the Netherlands in the past, and we are still paying the costs for it, and are thereby handicapped in coping with the present situation.

Though the present economic situation will inevitably have a result on the capacity of our services to find working places for disabled persons, we should continue with our reforms and proceed with transforming our labour organisations. We are there-

fore proceeding in the Netherlands with the reforms in the area of the young disabled persons and sheltered workplaces. Both reforms are directed. We are proceeding with the programs to find jobs or to “carve” jobs. The last is maybe the most important dimension. It requires a much more individualised approach of companies. It means to convince them to restore working places that they have been rationalising away over the past decades.

Employers are often willing to cooperate even for non-economic reasons. But though they are willing to take on the burdens of employing disabled workers, they don't accept the burdens of the paper work, of the intricacies of the regulations on compensation or taxes, or of the problem of coaches that accompany the disabled.

That is why part of the approach is offering support for employers to take away these extra burdens; by taking them out of their hands.

The most direct effect of the crisis on sickness absence and disability benefits is probably the decrease in rates of sickness absence. Long-term trends show that sickness absence increases in times of economic upswings and declines during economic downturns. The current economic downturn can therefore be expected to lower sickness absence. The duration of entitlement to sickness benefits in the Netherlands is two years. Employers are responsible for paying sickness benefits. In principle, the lower rate of sickness absence should translate into a lower number of new disability benefit claimants. We know that in the past employers and employees used the disability benefits system to implement what they felt were necessary organisational changes; we termed this ‘hidden unemployment’ in the disability system. But the rules and regulations have changed, and we now feel that this problem has been addressed. The number of new disability benefit claimants has

decreased sharply in the past 4 to 5 years. As employers now have to pay for 2 years of sickness absence, this solution is no longer very appealing to them. As the employer continues to bear the financial responsibility for two years, neither employers nor employees are keen to choose this route for cutting back on staff.

But looking to the immediate future, I can see that I have come to the end of my allotted speaking time. I will therefore conclude by noting that in this time of crisis we must avoid pursuing a short-term policy for which we will have to pay the toll in the longer term. We need a policy that will enable us to emerge stronger from this crisis than when we entered it. This certainly also applies to occupational disability and labour market participation. What we need is a short-term policy combined with a long-term vision.

Shortly I'll be flying back to the Netherlands to discover whether it really was sensible to miss a cabinet meeting. As yet I don't regret having stayed here in Stockholm, but I hope I still think the same way tomorrow morning!

Thank you.