

9: NETHERLANDS

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Overview

In the Netherlands, as in the majority of EU countries, most public employees have the status of civil servants. This means that they are governed by a civil service law (public law) and its secondary legislation and not by the general labor laws that apply to the private sector. Wage negotiations, however, have been made similar to market conditions by introducing eight different sectors, for which separate wage contracts are negotiated with the trade unions.

The Netherlands public service is less closed than the German system for example, with many external consultants and social scientists working in the Dutch ministries. The Netherlands system of consultative and advisory councils provides numerous channels for outside ideas to enter the public sector.

During the 1980s, **promoting greater integration, efficiency, effectiveness and coherence in government** was a central policy issue in the Netherlands. Since that time, attention has **shifted to reductions in the overall size of government**. In the 1990s this led to privatization policies and to the autonomization of parts of the administration. The administration of social security was entrusted to an autonomous agency, and the Pension Fund for Civil Servants (among the world's largest institutional investors) was privatized. The central government also sought to transfer responsibilities to lower levels of government.

The sequence of reforms

The reform of Dutch public administration was not guided by a full-scale, explicit master plan or program, but took the form of a series of efficiency measures inspired broadly by new public management ideas. The first major measure was in 1983; 'operation 2%' aimed at a 2% reduction of central government personnel each year. In 1986 the annual target was put at 3%.

From 1989 onwards, contracting-out was introduced more systematically, involving private sector bodies carrying out public tasks on a contract basis. '**Autonomization**' of government services was pursued in parallel, with the transformation of many traditional government departments into semi-public agencies (*zelfstandige bestuursorganen*). There are 163 of these at present. In 1996 the Ministry of the Interior issued legal regulations on this topic responding to the widespread growth of 'autonomous bodies' that had taken place.

Labor negotiations in the public sector were decentralized in 1993.

In the early 1990s, issues of **control, fraud, and integrity** became politically significant, and the then Minister of the Interior took a leading catalytic role. Since then, strengthening financial control of government, and improving ethics, responsibility and restoring public confidence, have become major issues for the Dutch government and the Dutch public administration. Most recently, after a series of scandals, incidents and accidents, law enforcement has become a source of public and political concern.

Personnel reduction targets remain in place, but in practice since 1996 public sector employment has been increasing after the decline of the 1980's. In 2001, a 5% growth of public sector employment is expected.

Reformers' concerns

Concern about the **overall size of public sector employment** and the **fiscal weight of the wage bill** have been the major drivers of reforms. In EU politics, the reduction of public expenditure became a priority, and as a result the reform of Dutch administration became a major goal of government policy under different prime ministers (Lubbers, Kok) and different coalitions (christian-democrats, liberals, social-democrats). Many efforts have been made to reduce the size of the Netherlands' central government. This has been accompanied by a concern to reverse the loss of public respect for the public sector, particularly following several major scandals.

Politically, during the 1980's, ideological controversies subsided, and political attention and discussion focused more on administrative performance. The goals of policy became less of an issue than the means of implementation - i.e. efficiency and effectiveness. On this technical level, the growth in semi-autonomous agencies has created some political and managerial anxiety, with an underlying concern that political control and the accountability of administrators to elected representatives had been weakened.

Competition between the public sector and the private sector for personnel has become an increasing problem, particularly at senior management levels and in Information Technology.

Institutional starting points

Constitution/political system

The Netherlands is a unitary state, but highly decentralized, characterized by consensual, multi-party, politics, and a quasi-corporatist tradition of consultation. The head of government is the Prime Minister. However, the Dutch Prime Minister is only *primus inter pares*, and far less powerful than a British Prime Minister or German Chancellor. Constitutionally the Prime Minister is entrusted only with the task of chairing the cabinet. He or she cannot, for example, remove a minister or reshuffle the cabinet. Nevertheless, the Prime Minister is the de facto the leader of the government and acts as negotiator in conflicts.

Parliament consists of two chambers, both of which are elected for four-year terms. The Second Chamber, or lower house, has 150 members directly elected by proportional representation through a national party-list system. The First Chamber is made up of 75 members elected by the members of 12 (directly elected) provincial assemblies. Since no single political party has ever obtained an outright parliamentary majority in Dutch history, forging a viable government usually requires lengthy negotiations involving multiple parties.

Significant political and fiscal decentralization has changed the relationship between the national government and local governments. Provincial and municipal authorities have been given responsibility for implementing national policies, with national government providing the necessary financial resources. The consequence is that local and provincial authorities receive approximately 90% of their budgets from the national government. The Financial Relations Act of 1996 redistributed financial resources among municipalities.

Structure of Government

The number of ministries in central government has remained constant at 13 for many years. The changes that have taken place were always made during the cabinet formation process and were less inspired by motives of public management than by political considerations among the parties forming the coalition.

In the policy fields of the various ministries, increasingly tasks have been entrusted to a growing number of semi-autonomous agencies (*zelfstandige bestuursorganen*). In foreign affairs, there is the National Committee on Development. In agriculture and fisheries there are 32, and in the transport and water sector there are 48. In total and as noted above, in 2001 there were 163 such agencies..

The number of provinces is 12. At the local government level, however, the number of municipalities has decreased steadily and dramatically, from about 1,200 at the end of World War II to about 500 in 2001.

Major trade unions are social-democratic (FNV), protestant-christian (CNV), and liberal (medium and higher personnel Unie-MHP). Trade union membership in general has decreased dramatically since the 1980's, probably as the result of sustained economic growth and some softening of ideological distinctions. There are some signs that there might be a resurgence of interest in trade unionism but that has yet to emerge in any increase in membership.

Government decision-making takes place in the Council of Ministers, comprising 15 ministers and 20 Secretaries of State. In some ministries (Foreign Affairs, Interior), a minister without portfolio assists the substantive minister (e.g. for Development Cooperation, Metropolitan Areas).

Decisions for cabinet ratification are prepared in Cabinet Committees (sub-Councils). These serve to coordinate proposals from several ministries and allow for a major input from the civil service into policy proposals. In 2000, there were 12 sub-councils, e.g. for Economic Affairs, for European and International Affairs, Social and Cultural Policy, or Spatial Planning and Environment.

In preparing policy proposals, **extensive consultation takes place with interest groups** and NGOs. The Dutch system of consociational democracy operates with more than 130 advisory bodies in all policy fields. In 1993, a Study Committee reported on the streamlining of this system, and the 1996 "Act to Revise Advisory Bodies" established 24 advisory bodies in 1998. Two are general (Socio-economic Council, Scientific Policy Council), 12 roughly correspond to the ministries, 7 offer consultation on specialized issues (legal, veterinary, banking), and 3 on administrative issues (e.g. the Electoral Council).

In the Netherlands, according to the Civil Service Act of 1929, 'a civil servant is he/she who is appointed to be employed in the public service' (art. 129). In common usage, however, the term 'public service' is broadly equivalent to 'public sector', i.e. all activities/personnel paid from the public treasury, including both the 'civil service' (i.e. the body of government personnel in charge of public policy) and the 'subsidized sector' (e.g. schools, hospitals).

The Civil Service Act gives broad outlines for selection, pay scales, discipline, recruitment, pension, and dismissal, but actual personnel management and personnel policy is under the competence of individual ministries and agencies separately. In practice, therefore, there is considerable fragmentation of personnel policies and a competition between government organizations on the labor market, involving differences in prestige, career prospects and working conditions (within the broad outlines of the Civil Service Act).

The legal status of civil servants has come closer to the conditions in the private sector. Wages and other terms and conditions used to be determined unilaterally by the minister of the Interior, but since 1993 they have become subject to negotiation with the trade unions through collective agreements (*collectieve arbeidsovereenkomst*) on a decentralized basis. There is now no single wage contract for the whole public service. Separate negotiations determine the agreements for eight sectors: central government, provinces, water boards, municipalities, public education, police, judiciary, and the military. As a consequence, since 1993, there are no over-all data available about public sector employment. Only very recently, in 2001, the ministry of the Interior published an over-all view of public sector labor market developments.

According to constitutional law, the government of the Netherlands consists of the council of ministers and the Queen/King. Its members are not members of parliament. The Queen/King has immunity, and the ministers are responsible to Parliament.

Parliament has two chambers. The First Chamber is elected indirectly (via the Provincial parliaments) and acts as a Chamber of 'reflection' (legislative proposals accepted by the Second Chamber have to pass through the First Chamber for a 'second thought'). The Second Chamber has 150 members and is directly elected every four years under a system of proportional representation.

Central agencies and reform management

Box 1 Responsibilities of central agencies in the Netherlands

Ministry of the Interior

Directorate General for Management and Personnel Policy

- co-ordination of personnel policy; salary negotiations, number of posts, job descriptions, training and staff development
- initiation of modernization schemes

Directorate General for Public Administration

- co-ordination of relations between the different layers of government, including decentralization
- co-ordination of the policy on information technology in government

Office for the Senior Public Service

- providing career development instruments

Directorate General for Security and Intelligence

- integrity protection in the public service

Ministry of Finance

- financial management and control (including over reorganization)

Ministry of Justice

- regulatory policy and reform including legal regulation of the public service. For matters of civil service discipline, however, the Ministry of Interior is responsible.

During the 1990s, the Dutch academic community played an important role in developing the Dutch "**New Steering Model**," which promoted many of the themes of the New Public Management. In the field of public personnel, a piecemeal series of policy reforms intended to **increase collaboration between ministries**, to improve quality through **management development**, and to **increase mobility within the public service**, were introduced. It should be noted, however, that there is no comprehensive, centrally directed, reform program. The Ministry of the Interior is in charge of overall coordination, but with rather mixed results.

For all measures, the Dutch government took great care to **publicize its intentions beforehand**, if only to gain the support of Parliament. Where parliamentary support was not needed, the reports from committees of inquiry concerning contentious policy proposals, such as privatization or changes in the wage negotiation system for the public sector, were more forthright. After publication of a report and the ensuing discussion in

the media, including the specialized media (journals, seminars) for the public sector, the 'right climate' could be created for a new policy step. **Publicity beforehand was instrumental in the reforms**, reassuring the public of the government's good intentions and creating general support. During reforms, considerable effort is given to explaining the changes internally within the public service, by means of approaches such as articles, interviews, seminars, and training courses.

Politicization

Officially, public service posts are not subject to a "spoils system". In practice however, the distribution of seats in parliament is taken as the baseline for the distribution of higher-level posts in the civil service. In particular, mayors, Commissioners of the Queen, municipal secretaries, and senior positions in the ministries (directors-general, directors) and agencies (directors) are distributed on party basis. There are few non-party members in these senior positions.

Reform activities

Summary

Within the ministries, financial transparency, control and accountability improved during the '90s. For the semi-autonomous agencies, however, control diminished. The law concerning Publicity of Administration ensures public access to government documents. In practice, much depends on the activism of investigative journalists and/or the willingness of individual public servants to act as (anonymous) "whistle-blowers" or "information leaks".

In legislative terms, two laws have made the public service increasingly cautious in its behavior. The Ombudsman Law of 1981 and the General Administrative Law Act of 1992. The former enables the Ombudsman to investigate into the behavior of national ministries, autonomous agencies, water boards, provinces and a number of municipalities (i.e. the large cities). In practice, the Ombudsman has focused on national ministries and the police, and the four major cities have each appointed their own Ombudsman. The institution of the Ombudsman is highly active and in 1996 more than 8000 matters were dealt with. Its public reports draw considerable attention in the media and in the public service.

However, the **General Administrative Law Act** has probably been more important for public service performance, since it **makes all government decisions liable to appeal in a regular, independent court of law**. Instead of having a separate channel of administrative appeal in specialized courts, since 1992 all Courts have created Chambers for administrative matters as a part of the ordinary judicial system. In practice, the General Administrative Law Act has enabled groups of citizens to fight any policy decision in court. Since this entails a huge burden of juridification in the courts, most government institutions have created 'preliminary committees of appeal' to handle citizens' appeals in different fields of policy, including on personnel issues (re-organization, transfer and dismissal etc.). The Act has widened the possibilities for

appeal, and has slowed down the pace of internal reform and re-organization in the public service.

A final factor affecting the performance of the Dutch public service has been the large number of parliamentary inquiries into 'policy failures' or 'crisis management'. As ideological controversies receded, parliament has increasingly asserted itself by publicly investigating disasters, crisis, and accidents, focusing on the involvement and the responsibility of government and the public service. Recent examples include: the failure to make, and implement a contract for the printing of new passports; the failure to control and monitor criminal organizations involved in drugs trade; the handling of an airplane crash on Amsterdam-Southeast; the handling of the Dutch army involvement in Srebrenica (former Yugoslavia); and the government response to a major fireworks' explosion in the town of Enschede. The 'investigation culture', therefore, has made public servants increasingly cautious and reluctant in taking initiatives and responsibilities.

Reforms to the organizational structure of government

In the early 1990s semi-privatized services were introduced into the Netherlands public sector. Since the first agencies were launched in 1994, their number has gradually grown to the present level of 163. According to the Coalition Agreement of 1998 that formed the new government, the introduction of business-like elements in public management will be continued.

Cutting back the programs undertaken by government

Contract management was started in the late '80s, under conditions of economic growth. In several large contracts, such as infrastructure, open-ended arrangements caused considerable financial losses to the public treasury, which were, however, politically "accepted", however grudgingly. In the late '90s, and early 2000s, there is growing concern about controllability of contracts and their ultimate profitability for the citizen and the treasury. Marketization of energy, for example, is taking place much more cautiously than has been the case for telephone services.

In spite of the culture of decentralization, in the fiscal field only the real estate tax offered financial expansion for the municipalities (i.e. the major municipal tax base, with the maximum rates fixed by national decision). Service delivery followed the established line of municipal involvement and national financing, plus an increasing role for semi-autonomous agencies, for example in the field of social security administration.

Civil service and personnel reforms

During the '90s, the automatic financial promotion (annual 'step upward' on the scale) was gradually replaced by a system of financial promotion by good performance-only (if not good: stable salary, reduction of salary only in cases of exceptionally bad performance) and rewards for very good performance. In the semi-autonomous agencies,

lump sum financing enabled management to offer financial incentives comparable to the private sector.

During the '80s, young managers were promoted more easily than before, but because of the lack of inter-ministerial mobility and difficulty of dismissal, an increasing group found itself "stuck at the top". The Office for the Senior Public Service was established to handle this problem.

Since reduction targets were not specified, but rather proposed annually by the ministry of Finance to the other ministries, the outcome depends on the inter-ministerial negotiations, where outside factors (strikes, social unrest) also play a role. In education, police and health care, for example, reductions proved much more difficult to achieve than in defense (especially after the Cold War). Nevertheless during the '80s, the growth of the public service came to a standstill, and picked up again in the late '90s, albeit slowly.

The Civil Service Act provides the framework for the rights (material and immaterial) and the duties of the public servants – with considerable variation of wages/labor conditions. Recently, the uniform civil service discipline has received increasing attention.

The **merit system**, ensuring a regular assessment of work performance for every public servant, was kept in place with three provisions: (i) automatic salary increases were made more and more dependent on satisfactory/good performance; (ii) promotion because of very good performance became easier; (iii) new ideas of personnel policy ('employability', 'competence management', and 're-training schemes') were introduced.

The introduction of "**market-like**" features in public personnel policy in the Netherlands has made public servants' life considerably less secure. Dismissal of civil servants on grounds of re-organization has become possible (accompanied by a relatively generous pay-after-dismissal policy, depending on the length of service), which is a revolutionary break with the past. Pay scales and pension arrangements are still in place, but wage agreements over the 1990s have made public service less attractive than private business, especially in the higher income brackets. For the subsidized sector and the agencies, lump-sum financing offers more freedom of pay policy, but also insecurity of future budgets. Under conditions of overall economic growth and a tight labor market, the private sector can absorb excess labor from the public sector. Nevertheless, painful internal choices have to be made in the public service, since overall public expenditure is not allowed to grow as a percentage of GDP.

In spite of a traditionally high reputation of integrity, several "accidents" occurred showing that integrity can never be taken for granted. The Lockheed scandal of 1977 affected the husband of the (then) Queen, and during the 1980s, several corruption cases occurred at the local level (social security "brokerage"). The minister of the Interior, in 1991 started an integrity campaign of awareness and "cleaning-up" at the municipal level. Parliamentary investigation into crime-fighting also brought to light some corruption cases in the police force. The Intelligence Service was put in charge of "integrity

management" for the Dutch public service, offering lectures, seminars, ethical codes, and practical advice to government services. In 1999, the Ministry of the Interior published a policy paper "Trust and Responsibility", making clear that new public management ideas can and should undermine the integrity of the public service culture. The paper stressed the importance of public ethics and integrity (public interest, impartiality, and reliability in the separation of private and public interests).

In 1995 a **Senior Public Service** (*Algemene Bestuursdienst, ABD*) was introduced in the Netherlands. This comprises the group of 350 civil servants in the top three salary scales (secretaries general, directors general and directors of three major directorates) of central government. The aim of this initiative is to increase mobility among senior public servants, to implement a management development policy for the group and in this way more actively manage the quality of the senior service for the long term.

The Minister of the Interior is responsible for the initiative and is also formally responsible for public service appointments in these salary scales. A small Senior Public Service (SPS) office, led by a Director-General for the SPS, is responsible for implementation of the policy. All policy initiatives are developed in close co-operation with the secretaries-general and the departmental personnel services.

A formal evaluation was carried out in 1997. The results on mobility have been good. The office has filled about 90 vacancies, 40 per cent of which have been interdepartmental and 40 per cent of the total have been of a horizontal, rather than vertical nature. The Senior Public Service's efforts, however have to take into account the informal politicization of the higher public service in the Netherlands.

Budget process changes

The Ministry of Finance actively promotes the introduction of **output-based budgeting**. The Dutch government accounts until now follow a reservation system for budgeting, and a cash and capital-based system for reporting. However, the Ministry of Finance over the last five years has promoted an accounting system more similar to private business, i.e. output-related financing. Within government, units have to formulate and specify their intended services/products (output) and estimate the costs to be made for the production of these outputs. This system is also to facilitate public-private partnerships. It is the ministry's ambition to achieve a complete transition of the public sector to a system of output-financing. Currently the old system still prevails, but ministries increasingly clarify the relations between policy, finances and performance, in the presentation of their budgets.

E-government

Since the mid-80's, Dutch public administration has been in the process of introducing electronic information technology internally, following the lines of the private sector, and also increasingly stimulated by EU policies and programs. Nevertheless, the process did not make much headway until the mid- '90's – even today, the different regional police bodies have different computer systems, blocking effective communication in crime-fighting. On the other hand, tax returns can be handed in electronically since 1995.

Since 1998, within the Ministry of the Interior, the Minister for Metropolitan Areas and Minorities has adopted electronic government as a key task.

Reform outcomes

In terms of efficiency and service to the public, the privatized services (energy, public transportation) have seemingly become more expensive and less reliable for the citizens, in spite of an increase in commercial publicity and advertising, and an effort to improve their image and change their internal corporate culture. The present climate of public opinion is increasingly negative about quick and drastic privatizations, and might even be in favor of returning several monopolistic services to public/state companies. Other government services, e.g. taxation services, have managed to improve both their internal efficiency and their communication with the services – even though they were not privatized. The police service, on the other hand, has lost much of its former positive image, due to drastic cutbacks.

Overall, performance of the Dutch public service improved in some areas and deteriorated in others. The image of the public service, and therefore the expectations from the public, has gone down since the early 1980's. Increasingly, government service has become a second-choice career for students – even in University Departments of Public Administration, students prefer careers in private business rather than the public service. Only recently, during the mid-1990s, are there some signs that the tide is turning.

One interesting consequence of the reforms is that the quasi-corporatist system of interest group consultation by government, based on the old consociational democracy, became less prominent. The distance between government and interest group increased as lobby groups, such as those in agriculture, no longer were given co-responsibility of policy-making. The *Landbouwschap* was abolished in 1995. On the other hand, the views of the trade unions and of the employers on major issues of economic policy converged somewhat. Trade unions in the Netherlands proved remarkably flexible, and willing to agree with moderate/low wage increases, re-training schemes, lay-offs, and cuts in public expenditure. This so-called '*polder model*' of consensus policy-making greatly facilitated privatizations and public sector reforms. Only very recently, there have been some signs of restlessness in some trade unions (e.g. railways), which may slow down further efficiency measures and public sector reforms.

In addition, as noted above, the public service has reason to be increasingly cautious. The over-all impact of the reform measures over the last 20 years have made the Dutch more aware of the weaknesses of their public service system. On the one hand, this implied an increasingly critical comparison between public performance and the private sector performance, followed by recognition of the limits of this comparison. It also implied an increasing willingness to entrust 'public' tasks to private or semi-private entities, and to work towards a further streamlining of the public service. As a result, the **growth of government came to a standstill**, which by itself is a remarkable feat of 'stopping the super-tanker'.

However, **satisfaction with government did not grow**. Issues of service quality towards the citizen (reliability, cost) and public control remain under discussion/controversy, and recently issues of public integrity have been added. Personnel mobility between the public and the private sector has certainly increased. Within the public service, there is a feeling of being unjustly treated as scape-goats and of exhaustion from continuous change and re-organization, especially among the older generation. For the younger generation of university graduates, their willingness to be flexible and their interest in a career path that takes them through several ministries is stronger. For this group, the new recruitment arrangements, with introductory programs, internships, offer good prospects to create a more integrated, flexible, outward-oriented public service in the Netherlands.

One remaining **concern is in relation to the 163 autonomous administrative authorities**. These have raised a potential problem **with regard to the principle of ministerial responsibility**. A framework Act has been announced that will provide a minimum set of rules on the structure of these autonomous authorities, the appointment and dismissal of their management, and their financial and operational accountability to the Minister.