Netherlands: New round of job and social service cuts prepared

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Barely six months after Jan Peter Balkenende's Christian Democratic government in the Netherlands imposed drastic cuts to the country's social security system, warnings are already being made about further inroads. "Nearly all citizens will have less purchasing power next year," Queen Beatrix recently announced in her government-composed royal speech to parliament in The Hague.

The government is responding to the growing crisis of an economy that remains in recession. The gross domestic product (GDP) in the second annual quarter shrank by 0.5 percent for the fourth consecutive time. According to Dutch Central Bank assessments, GDP is expected to decline overall this year by 0.4 percent. The last time an annual decline of this order occurred was in 1982.

The reaction of the coalition government of the Christian Democrats (CDA), right-wing Liberals (VVD) and Democrats D66 (a group that splintered from the VVD in 1966), together with business leaders, to this economic crisis has had catastrophic consequences for a country highly dependent on trade with European Union (EU) countries.

The government's austerity measures will rein in a further 5.7 billion euros of spending in the coming year. Together with the cutbacks of 5.2 billion euros already implemented by the previous government, which participated in a coalition with the right-wing List of Pim Fortuyn, a total of 11 billion euros will be cut from government social spending in 2004.

The Balkenende government had planned to reduce the budget deficit by 0.75 percent of GDP from 2007 and lay the basis for a rapid recovery of the business sector. With this ruled out, the government now intends to raise taxes on tobacco and alcohol as well as freeze the salaries of public servants and social security payments at current levels for two years. It also proposes a further million euros in savings in unemployment insurance.

The health budget is also to be cut back by 1.5 billion euros. For example, dental care and contraceptive pills are no longer to be eligible for rebate under the health insurance scheme. Moreover, those eligible for health insurance are to pay a poll tax of 200 euros and an additional 1.5 euros per prescription.

The health care sector in the Netherlands is already in crisis. Policies that forced the outpatient service to compete with private clinics as well as other public heath care measures, introduced ostensibly to provide better medical care and create more jobs, have had the opposite result. The low wages of workers in the private sector have placed pressure on working conditions in the public sector. The number of part-time jobs increased in both sectors of health care, while wages stagnated or declined because pay increases did not keep up with levels of inflation. The standard of medical care available to the broad population suffered under the pressure of competition and today can only be compared with conditions existing in Britain.

Every patient is allocated a specified general practitioner who must also be consulted for a referral to a specialist. There is no right to a doctor of one's own choice. Overworked general practitioners receive a fixed sum of 76 euros per resident in an allocated district—regardless of whether they consult him once, more often or not at all. The result: the less time the doctor spends on the care of his allocated patients, the higher his income. The consequence is that high-priced care and diagnosis are avoided. Patients with high blood pressure—a condition that can be fatal if neglected—are often sent home with the medical advice to undertake more exercise.

Many patients travel to neighbouring countries for surgery because of insufficient beds in the Netherlands' hospitals. Private hospitals are also unable to mitigate the shortage of operating beds and outpatient staff. On the contrary, according to an official inquiry, the country's private hospitals pose a health risk to their patients. There are 101 private clinics in the Netherlands that mainly provide cosmetic surgery. Some, however, offer the whole range of specialised hospital services, including medical emergencies.

The inquiry examined 20 private clinics. It found that general practitioners without the required training were working in specialist fields. According to Netherlands law, only registered health care workers can carry out the basic care of patients. However, the inquiry found that many clinics employed untrained personnel to provide nursing care. In nine clinics, no investigation into patients' general health was carried out before surgery and no measures existed to prevent post-operative infections. In addition, there were no trained personnel to disinfect instruments. In one clinic, all instruments, including those used for surgical operations, were simply boiled in water.

While broad sections of the population pay for the economic recession, the pockets of the rich swell. Queen Beatrix, who will receive 727,000 euros next year in personal income, is only a relatively small fish.

Oil giant Royal Dutch Shell announced a net profit of around 1.2 billion euros for the business year 2002-2003. The before-tax figure, according to the company, is almost identical to the after-tax amount, as Shell pays only 8 million euros tax, or 0.66 percent of profits, to the Netherlands state. The basic salary of Shell's manager is between 1 and 2.5 billion euros per annum (excluding bonuses, subsidies or similar options).

The managing director of the retail chain Ahold, Anders Moberg, is paid even more royally. He pockets 10 million euros annually as the managing director of a company whose US subsidiary has recently been investigated for fraud for recording 465 million euros of non-existent profits on its balance sheets.

Moberg was appointed to head the company in May after the previous managing director retired following publication of the machinations of the American Ahold-Daughter. His task was to return the company to profitability in the current business crisis and make its employees pay the price. Albert Heijn, which belongs to the Ahold group, announced the scrapping of 440 jobs from supermarkets in the Netherlands after its market share dropped by around 1 percent.

The majority of businesses in the Netherlands intend to proceed in the same way. According to a survey, approximately one third of all enterprises in the country intend to carry out extensive job cuts this year and curtail wage increments (bonuses, company cars, etc.).

A report from the national statisticians office (CPB) shows that the level of total unemployed is currently increasing at the rate of 14,000 per month. The CPB recorded an average of 403,000 unemployed in the second quarter of the year—an increase of 40 percent over the previous year. At this rate, more than half a million will soon be officially unemployed—more than at any time for a decade.

The number of those seeking employment exceeds this level. Figures published by the Centre for Work and Income (CWI) estimate that at present 547,000 are looking for work. At the end of next year, this figure, according the Institute's research, will increase to 735,000, or 10 percent of the working population.

At the same time, the national airline KLM plans to eliminate 3,000 jobs. The company, which currently employs 34,000 workers, recorded a loss of 416 million euros. KLM intends to save 650 million euros through destroying jobs and further aggressive restructuring.

KLM's daughter company, Transavia, has also announced its plans to slash jobs. While the company, which offers charter flights as well as flights from Amsterdam to London, has not recorded losses, its profits from the first quarter of the year have been below expectations. The management at Schiphol airport has reacted to declining passenger numbers with a freeze on new hiring, and authorities in the city of Amsterdam expect local contractors will also cut jobs.

Veldhoven-based ASML, which topped global machine manufacture in the last half-year of production, also wants to cut more than a tenth of its total workforce of 5,200. The company already reduced its staff by 1,450 last year. Following these job cuts, the firm made 9.5 million euros profit. By undertaking a new round of cuts, it hopes to mitigate the previous loss of 63.5 million euros recorded in the second annual quarter. Silicone chip manufacturers reportedly are wary of undertaking new investments after recording losses of 608 million euros and a halving of their market value.

Philips, the electronics giant, was only able to avoid going into the red for a further year after selling part of ASML and Vivendi for 78 million euros. Philips ended the business year with a profit of 42 million euros. Last year, the company suffered losses of 1.3 million euros and undertook a restructuring that led to thousands of job cuts. This restructuring is supposed to be completed next year, saving Philips a million euros. Even so, management pointed out that the turnover fell from 8 million to 6.5 million euros and sales figures fell by 18 percent.

At the same time, the Belgian-Netherlands Bank and insurance company Fortis 750 plans to slash 5,100 jobs. A further 230 jobs are also at risk following the sale of the Theodoor Gilissen-Bank to the Kreditbank Luxembourg. Fortis, which over the last two years made profits of 2.6 billion euros and 532 million euros, respectively, lost 453 million euros in the last quarter of the current year. According to its management, the risks for the current year are high due to the weak stock market, bad credits and poor business forecasts, so a restructuring program, including job cuts, is necessary.

The retail sector is also showing signs of trouble. Department store chain Vroom and Dressmann recently reported its plans to cut 1,800 to 8,000 jobs and close 12 branches.

There is hardly a section of Netherlands business that is not directly affected by the economic slump and slashing jobs. In a year, unemployment figures in the Netherlands will overtake the level it last reached in the 1980s and early 1990s. Government cost-cutting measures will also sharply increase levels of poverty.