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SUMMARY

Introduction

Social insurance schemes are based on the principle of solidarity. This solidarity represents the essential difference between social and private insurance. However, this is gradually changing. Where can one still find solidarity to be so emphatically present that one might speak of social insurance? The changes in social insurance schemes during the past two decades have turned this issue into one of topical interest. As a result of these changes, this study attempts to answer the following question (see Chapter 1).

> *To what extent have the restructuring measures implemented between 1980 and 2000 altered the solidarity nature of the social wage loss insurance schemes for employees?*

Four issues are involved in answering this question: 'What was it like?' (question 1), 'What has changed?' (question 2), 'What were the reasons for this?' (question 3) and 'What is it like today?' (question 4).
The four sub-questions are as follows.

1. To what extent were social wage loss insurance schemes characterised by solidarity in 1980?
2. Which restructuring measures were implemented between 1980 and 2000 and how do these qualify in terms of solidarity?
3. Which considerations formed the basis of the restructuring measures in the political allocation process and to what extent do these considerations have a form of solidarity or to what extent was solidarity itself one of the considerations?
4. To what extent are the social wage loss insurance schemes characterised by solidarity in 2000?

Chapter 2 of this study explains that the extent of solidarity in relation to insurance is derived from three ratios.

1. Insured loss event and benefit payment.
2. Premium and probability of loss.
3. Benefit payment and premium.

The stronger the relationship between these insurance aspects, the less solidarity can be found in the insurance. If (1) the insured loss event is strictly formulated as a condition for benefit payment, (2) the greater probability of loss will lead to proportionally higher premium and/or (3)

payment of a higher premium to the entitlement of benefit payment or a proportionally higher or longer benefit payment, the insurance is characterised by very little solidarity. When this is applied to wage loss insurance it means that the extent of solidarity of this insurance is determined by three aspects.

1 The formulation of the event leading to loss of wages, i.e. illness, occupational disability and unemployment.
2 The extent to which the wage loss insurance premium depends on the probability of loss of a business (2).
3 The extent to which the entitlement to and/or the amount of the premium and the duration of the wage loss payment depends on the amount and duration of the premium payments.

A separate chapter is devoted to each of these three aspects (Chapters 4, 5 and 6). The measures implemented between 1980 and 2000 that concern the relationship between the insured loss event and benefit payment are discussed and assessed in Chapter 4, those that concern the relationship between the premium and the probability of loss in Chapter 5, and those that concern the relationship between benefit payment and premium in Chapter 6. A brief description of the historical context (Chapter 3) precedes these three chapters. The sub-questions and the main issue are dealt with in Chapter 7.

Conclusions

1 To what extent was social wage loss insurance characterised by solidarity in 1980?

In 1980, at the beginning of the restructuring period, social wage loss insurance was characterised by a relatively high level of solidarity as described below.

1 *With regard to the relationship between insured loss event and benefit payment*: The insured loss events, i.e. illness, occupational disability and unemployment, were not clearly defined around 1980. Before 1980, there had been a trend towards a single wage loss insurance. Based on the prevailing views at that time, compensation of loss was regarded as being important, while less attention was devoted to the precise loss event.
2 *With regard to the relationship between the premium and probability of loss*: The Occupational Disability Benefits Act (WAO) and the Unemployment Insurance Act (WW) premiums are nationally uniform and are not dependent on the probability of loss (risk profile) of the sector or the individual company. The Sickness Benefits Act (ZW) and the retaining pay premiums are differentiated per sector.

3 *With regard to the relationship between the benefit payment and the premium*: Payments in terms of the ZW, WAO and WW depend primarily on the insured loss (the wage) and not on the amount or duration of the premium payments.

2 Which restructuring measures were implemented between 1980 and 2000 and how can these be qualified in terms of solidarity?

A summary of the series of measures is not given in this case. References are made to the conclusions of Chapters 4, 5 and 6. As far as the qualification of the measures is concerned, it can be said that the solidarity in the wage loss insurance was reduced as a result of the restructuring measures implemented between 1980 and 2000.

1 *With regard to the relationship between insured loss event and benefit payment*: The abolition of the discounting in the WAO in 1987 and the tightening of the occupational disability risk in 1993 were two restructuring measures intended to restrict the insurance to the 'real' or 'original' risk and to exclude risks such as unemployment risk and disorders that could not be determined objectively medically.

2 *With regard to the relationship between the premium and probability of loss*: Aligning the amount of the premium to the extent of individual probability of loss of the employer was a consistent factor in the range of measures dealt with in Chapter 5. Owing to the introduction of premium differentiation at company level and by increasing the employer's excess, the amount of the insurance premium was made increasingly dependent on the risk of wage loss of the individual company.

3 *With regard to the relationship between benefit payment and premium*: By increasing and tightening the reference requirements in the WW and by making the amount and duration of the wage-related WAO and WW benefits (more) dependent on (actual and fictional) employment history, the entitlement to and the amount of the benefit became more closely related to the (amount) of the premium paid.

3 Which considerations formed the basis of the restructuring measures in the political allocation process and to what extent do these considerations have a form of solidarity, or to what extent was solidarity itself one of these considerations?

In all the discussions about the restructuring measures, the main consideration was to detract from the solidarity – even if it was not expressed in these terms. Only the small left-wing parties objected on principle to infringing on the solidarity between companies with high and

low probability of loss. The other parties involved (the cabinet, employers' organisations and trade unions and the remaining parliamentary parties) agreed to a greater or lesser extent with the general line taken to reduce the solidarity in the social insurance schemes. While most of the parties involved were aware that the measures would create problems for the position of the smaller employers, people with occupational disability, temporary employees and people returning to the labour market, the solution to these problems was sought in a flanking policy (such as the Medical Examinations Act, the Reintegration of Occupational Disabled Persons Act or by moderating the proposed reduction of solidarity. However, the general policy geared to reducing solidarity by reinforcing the relationship between loss event and benefit payment, premium and probability of loss event and benefit payment and premium was widely supported.

During the period in which the social wage loss insurance was being restructured (1980-2000), the focus on less solidarity was closely related to the wish to intensify the prevention and reintegration policy, the reduce the improper use of insurance, to increase the options open to insured persons (through privatisation) and to lower benefits (de-collectivisation). These considerations reinforce one another.

The aim to achieve some uniformity in benefit payments forms a derived objective as it is primarily prompted by the aim to reduce improper use of the insurance (moral hazard). De-collectivisation is also regarded as a way in which to reduce the moral hazard. The wish to arrive at the de-collectivisation of the insurance, however, also forms an objective in itself, because this would be a means by which to reduce wage costs and to increase the returns and the competitive ability of the companies as long as the reduction of the insured level is not counteracted by private re-insurance.

In contrast to the aim of less solidarity, is the wish to treat different loss events equally, the aim to achieve emancipation and individualisation and the aim to maintain the wage loss nature of the insurance.

4 To what extent is social wage loss insurance characterised by solidarity in 2000?

In 2000, after twenty years of restructuring policy, social wage insurance schemes are characterised very little solidarity. Solidarity in insurance schemes has been considerably reduced since 1980.

1 *With regard to the relationship between insured loss event and benefit payment*: the trend towards wage loss insurance that commenced before 1980 did not continue. In 2000, wage loss benefit payments are not made solely on the basis of the fact that wage loss has been incurred, but the specific cause for the wage loss, unemployment or occupational disability is a contributing factor for the payment of benefits.

2 *With regard to the relationship between the premium and*

probability of loss: In 2000, the premium for social wage loss insurance depends to a great extent on the individual probability of loss. Since the Continued Payment of Salary (Sickness) Act (*Wet uitbreiding loonbetalingsplicht bij ziekte*) the costs of the brief occupational disability risk (apart from a small group of workers which is still insured by the Sickness Benefits Act (*romp-ZW*) depend entirely on the probability of loss of the individual company; since the introduction of the Differentiation in Contributions and Impact of Market Forces on Occupational Disability Insurance Act (*Wet Premiedifferentiatie en marktwerking bij arbeidsongeschiktheidsverzekeringen*), the WAO premium depends on the probability of loss of the individual company, at least as far as the first five years of occupational disability are concerned. In 2000, the Unemployment Insurance Act (WW) premium depends more on the probability of loss in the sector than was the case in 1980. At present proposals are being put forward to align the WW premium in part to the probability of loss of the company.

3 *With regard to relationship between benefit payment and premium*: Entitlement to and the amount and duration of the benefit payment depends greatly on the premium payment as compared to 1980 as is discussed in Chapter 6. The amount and duration of the WAO benefits have become dependent on the factual or fictional employment history (and therefore directly or indirectly on the premium paid) and access to (entitlement to) the WW and the duration of the subsequent benefit is dependent on the employment history.

5 To what extent have the restructuring measures implemented between 1980 and 2000 altered the solidarity nature of the social wage loss insurance schemes for employees?

The level of solidarity of social wage loss insurance schemes in 2000 has declined significantly since 1980 (sub-questions 1 and 4). The answer to sub-question 2 shows that, with one exception, all restructuring measures discussed in Chapters 3, 4 and 5 are characterised by a reduction in solidarity. This development corresponds with the considerations that play a role in the political allocation process (sub-question 3). Reduced solidarity is the primary consideration that forms the basis for the restructuring measures. In other words, the reduction of solidarity is not an incidental side effect, but an objective of the policy. Reduction of solidarity is therefore not solely a policy trend, but also a policy choice.