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Impact of global crises on statistical systems**Monitoring social change and the task of social statistics:
developments in the Netherlands****Note by Statistics Netherlands***Summary*

When an economic crisis occurs, the general public wants to know why it could not have been anticipated. Was it lack of relevant and timely data, inadequate economic models, bad behaviour of some individuals or collective incompetence or expediency? And if it was lack of relevant and timely data, how can society be better prepared for the future? Another question that requires examination is whether economic events still define the main preoccupation of the population, even in time of crisis? The present paper addresses the lessons for statisticians arising from the current financial crisis and economic downturn with special reference to social statistics. Based on experiences in the Netherlands, it focuses in particular on the question of to what extent social statistics have to broaden their present scope and develop new tools for monitoring the living conditions of the population.

I. Introduction

1. Many see the bankruptcy of the United States bank Lehman Brothers on 15 September 2008 as the start of the current financial crisis and economic downturn. Its collapse triggered a chain reaction in the financial system all over the world. Share prices plummeted and banks were rocked so badly that, in almost all industrial countries, government intervention was inevitable.

2. When an economic crisis occurs, policy makers, politicians and the public at large want to know why it could not have been anticipated. Was it lack of relevant and timely data, inadequate economic models, bad behaviour of some individuals or collective incompetence or expediency? If it was lack of relevant and timely data, how can official statisticians be better prepared for the future? Furthermore, how do we know what the impact of the crisis on society will be, especially for the most vulnerable population groups?

3. This paper addresses the lessons arising from the current global economic downturn with respect to social statistics. Based on experiences in the Netherlands, it focuses in particular on the question of whether social statistics have to broaden their present scope and develop new tools for monitoring the impact of the current crisis on the living conditions of the population. Section II gives a brief description of the scale of the current economic and financial crisis in the Netherlands. Section III considers the emerging information needs to monitor the social impact of the crisis in the Netherlands. In section IV, the need to broaden the traditional scope and to increase flexibility of social statistics is discussed. Section V presents the conclusions based on experiences in the Netherlands.

II. The economic and financial crisis in the Netherlands

4. One of the most open economies in Europe, the Netherlands could not remain untouched by the effects of the global economic and financial crisis. As a result, the high Gross Domestic Product (GDP) growth recorded in the Netherlands in 2006 and 2007 came to a sudden end in the second quarter of 2008. The Dutch economy entered recession in the fourth quarter of 2008, but annual GDP growth that year was still 2.0%. In 2009, the Dutch economy shrank by 4.0%, the highest negative growth rate ever measured by Statistics Netherlands. For 2010, a modest 1.5% GDP growth is forecasted.

5. Private consumption expenditure in the Netherlands, which had grown by 1.7% in 2007, continued to increase by 1.3% in 2008. In 2009, private consumption expenditure decreased by 2.4% and is expected to decrease by 0.6% in 2010. The unemployment rate, which had previously dropped from 3.5% in 2007 to 3.0% in 2008, increased to 3.4% in 2009 and is projected to increase to 5.4% in 2010 as a result of the global economic downturn.

6. Before growth accelerated in 2006, smaller wage increases codified in collective bargaining agreements helped Dutch firms stay competitive during this period. However, an increasing labour shortage resulted in higher wage demands in the second half of 2007 and into 2008, with the average wage increasing by 3.5%. The pace of job growth reached a 10-year high in 2007, but it fell sharply in late 2008 as fallout from the financial crisis constricted demand. Inflation ranged from 1.4% to 1.7% between 2004 and 2007, reaching its peak in 2008 at 2.2%. The inflation rate for 2009 dropped to 1.0% and the forecast for 2010 is that it will continue to drop to 0.9%.

A. Dutch government policy response

7. Dutch Government policy has been aimed at cushioning the immediate and grave consequences of the economic crisis in so far as possible, at sharing the burden fairly and at strengthening economic resilience. In response to the economic crisis, the government has launched three economic stimulus packages since November 2008. The first two packages, which were adopted at the end of 2008 and the beginning of 2009 amounted to ½% of GDP in both 2009 and 2010. The government's very first interventions in the banking sector were designed to support business and consumer lending, to protect savings, to keep payment transactions in operation and to maintain confidence in the financial system. The third package adopted in March 2009 in view of a further economic deterioration was roughly twice the size of the two previous packages taken together, providing a total stimulus of around 2% of GDP. A key element of the packages is an agreement among stakeholders that the Dutch Government will not cut its stimulus spending before 2011 and then only "if the economy has recovered sufficiently".

8. The stimulus measures were aimed at the areas most affected by the crisis, focusing on household purchasing power, private (and public) investment and employment protection:

- (a) Creating and protecting jobs (€669 million in 2009 and €905 million in 2010);
- (b) Business liquidity injection (€678 million in 2009 and €549 million in 2010);
- (c) Infrastructure, construction and housing (€610 million in 2009 and €1,161 million in 2010);
- (d) Economic sustainability (€446 million in 2009 and €478 million in 2010).

9. Measures were also announced to improve the long-term sustainability of public finances. Most importantly, the government decided to increase the pensionable age from 65 to 67 in two steps (to 66 in 2020 and 67 in 2025).

10. At the end of the last century, the Netherlands was one of the first European Union (EU) member states to qualify for the Economic and Monetary Union (EMU). Traditionally, Dutch fiscal policy sought to strike a balance between further reductions in public spending and lower tax and social security contributions. During the first half of the current decade, the government struggled to keep the budget deficit within the limit of 3% of GDP set by the EU's Growth and Stability Pact. The government achieved a budget surplus of 0.5% in 2006 and 0.2% in 2007. Despite the outbreak of the financial crisis, it managed to create a budget surplus of 0.7% in 2008. This changed dramatically in 2009 as a result of increased government spending on stimulus packages, unemployment benefits and financial sector bailouts, resulting in a preliminary budget deficit of 4.6% of GDP in 2009, thus exceeding the EU's limit. For 2010, a budget deficit of as high as 6.1% of GDP is expected.

11. The state finances have inevitably deteriorated due to government interventions in the financial sector, including the nationalisation of the Dutch activities of ABN Amro/Fortis Bank and capital injections to bank insurer ING and other financial institutions, whose balance sheets were compromised by United States mortgage-backed securities and other toxic assets.

B. Social stimulus measures by Dutch government

12. Turning to the social stimulus measures by the Dutch Government in 2009 and 2010 aimed at household purchasing power and employment protection, we can identify the following main policy measures:

- (a) Introduce part-time unemployment benefits;
- (b) Intensify labour mobility and the performance of job centres: the set-up of 'mobility centres' joining public and private partners on the regional labour markets;
- (c) Subsidise 50% of the costs of retraining employees;
- (d) Special action plan youth unemployment;
- (e) Better use of detailed labour market information of supply and demand by occupation, educational attainment, branch of economic activity and region and call on employers to report all their vacancies to the job centres;
- (f) Maintain the real income of households;
- (g) Restrict the increase in the burden on taxpayers;
- (h) Stretch the rules for pension funds to meet their financial requirements;
- (i) Investigate in what way the pensionable age can be increased from 65 to 67 years.

13. In view of the general elections in the Netherlands on 9 June 2010 following the collapse of the present Dutch coalition government, no major new policy initiatives or high-impact decisions can be expected from the outgoing government.

III. Monitoring the socio-economic impact of the crisis in the Netherlands

14. Traditionally, the contribution of social statistics to measuring the consequences of an economic downturn is two-fold. On the one hand, efficient surveying processes give very rapid information about the situation on the labour market and consumer confidence. Data on these items are among the first of the economic indicators to be published. In the Netherlands, this is supplemented by data that stem from administrative sources about the size of the population, vital events, jobs, earnings and social security benefits.

15. On the other hand, for information about a complete picture of the living conditions of the population, like health, income distribution, poverty, consumption, educational attainment, occupational structure and housing conditions, social statistics traditionally use low-frequency information. Partly because living conditions change slowly from year to year and partly because of the high costs attached to large-scale household surveys. Thus, data on living conditions lag behind the more volatile developments in the economy.

16. In addition, large-scale micro data files of persons and households created by Statistics Netherlands — based on linking registers and other administrative sources with household sample surveys — offer ample opportunities for in-depth research on the impact of the crisis on society and for identifying existing or emerging vulnerable population groups.

17. Looking at the current situation, in the view of Statistics Netherlands, two questions for social statistics appear. First, is the traditional rapid information adequate to understand the effects of the current crisis? Second, do we need more rapid information about social phenomena, like changes in living standards or well-being?

IV. Shortcomings in labour market statistics: detail and dynamics

18. At first sight, it appears that most data needs to monitor and support Dutch Government policy measures can be fulfilled with existing statistics. The data needs of some policy measures could be tackled through additional analysis on existing data. Existing statistical information on migration flows, social protection benefits and early school leavers showed no major information gaps in the Netherlands with respect to monitoring the effects of the crisis. Only one policy measure required new data collection, i.e. the introduction of part-time unemployment benefits scheme, granting employers the possibility to keep valuable personnel by reducing working time up to 50% in combination with training.

19. However, during the first period of the economic crisis, the Dutch labour market did not behave according to the expectations of most economists. The increase in unemployment was far lower than in earlier downturns. The standard data set from the Labour Force Survey (LFS) was not enough to explain this new phenomenon. New data needs were formulated.

20. Firstly, there was a greater need for detail. The LFS has its limitations concerning detailed (monthly) information needs regarding youth unemployment (sex, age, ethnicity, region), the number of hours worked by own-account workers and (short-term) labour migration. A better understanding of the behaviour of these specific groups is widely considered to be a necessary step towards a better explanation of the current developments.

21. Secondly, the dynamics of the labour market is nowadays greater than ever before. Information on stocks does not tell the whole story; the underlying dynamics are often far more revealing. For example, the number of filled and new job vacancies during a quarter is usually considerably larger than the stock of vacancies at the end of the quarter.

A. Information gaps

22. It struck policy makers that the scope of the unemployed labour force is very limited when it comes to young people. A large group of the youth between 15 and 26 years of age is part of neither the employed labour force nor the unemployed labour force. This led to the conclusion that it is important to monitor this group in total, i.e. how many young men and women are neither in education nor working? The questions of whether these youngsters would like to work and whether they are actively looking for work or not are not very relevant in this respect. So for this group, the customary statistical distinction between economically active population and economically inactive population is less relevant from a labour market policy perspective. Better use of existing administrative data sources will offer possibilities to obtain a more policy relevant description of these youngsters.

23. The increasing importance of own-account workers in the labour market revealed a weak spot in our labour market statistics. This group was not well monitored in terms of dynamics and labour volume. Here again, the traditional data from the LFS do not offer enough insight to really understand what is happening in this group. One hypothesis is that the number of own-account workers is only slowly decreasing and that even the number of hours worked can remain stable in a crisis, but that the decrease in revenue exceeds both. This will lead to an initiative to combine all available data from different sources to improve the labour market analysis of this group.

24. Labour migration in particular from countries in Central and Eastern Europe is an important new phenomenon for the Dutch labour market. However, the size of short-term labour migration in particular is not easy to assess. To better explain the developments on

the labour market — in particular for forecasting unemployment figures — more data needs to be collected on the movements of these workers and the underlying factors that explain these movements.

B. The relevance of dynamics for income statistics

25. Traditional (static) purchasing power figures show how a person's real income changes when his or her circumstances remain unchanged. This kind of data is widely used during the preparation of government policy measures that affect the income of households. Despite the crisis, static purchasing power rose sharply in 2009. There will be a slight fall in 2010. So taking 2009 and 2010 together, this kind of static statistics will show that the average person in the Netherlands will be better off in 2010 than before the crisis, despite the sharp economic contraction in 2009. This way of presenting data does not reveal, however, that many people will be worse off in 2009 and 2010 owing to changes in their circumstances, particularly on account of redundancy and unemployment. It is therefore more important to look at dynamic real income changes. People who lose their jobs and have to rely on benefits are faced with a pronounced drop in income. Tax and benefit measures are therefore not enough to overcome the loss of purchasing power. That is why measures also have to be taken to protect jobs and prevent long-term unemployment.

26. To conclude this section, one could say that, based on the experiences of Statistics Netherlands, the need for more short-term data is not very great, although more timeliness of data will always be a policy desire. However, 'real time' social statistics is still something for the future. Regarding the current programme of social statistics, Statistics Netherlands records a need for more information on labour market dynamics (including labour migration), i.e. flows into and out of employment and the current labour status of people who have left or lost their job. Better data on flows of persons on the labour market provide vital information for present-day labour market policy and modelling.

V. Expanding the traditional scope of social statistics

27. The second question asked in this paper concerns the scope of relevant short-term social statistics. Is the current set of socio-economic data the right and complete answer from the statistical world to best react to the current social situation? Looking to the past, we have witnessed a very weak relationship between the present economic situation and the extent to which people are satisfied with their living conditions. One could say that many social problems are neither caused nor solved by economic developments.

28. For example, the Netherlands experience concerning society's satisfaction with the government and its functioning through to 1998 was generally favourable and quite stable. Between 1998 and 2000, the public's general satisfaction with government and the opinions about functioning of government became less positive. After 2000, Dutch society experienced a sharp decline in satisfaction with government (for example, from 77% of the population who were satisfied with government in 2000 to 59% in 2002 as observed in dedicated social surveys) as well as in the views on functioning of government (which dropped sharply from 65% of the population who had a favourable opinion to 35% in 2002). Public appreciation of government policy in the fields of safety, health care and education in particular declined dramatically. However, the period 1998-2002 showed a more favourable economic climate in the Netherlands with steady growth and relatively low unemployment. Although in the middle of a rough economic climate, the election campaigns for the new Dutch Parliament on 9 June next will not be run solely or mainly on economic themes.

29. Looking at the main economic indicators in the Netherlands, this obvious deterioration of social cohesion and social capital — like trust in society and trust in government and its institutions — cannot be well explained. Therefore, the case for systematic and more frequent information about topics like solidarity, trust in politicians, the state of your neighbourhood, crime prevention and subjective well-being in general becomes increasingly important. In times of sudden events, policy failure or sharp economic changes, these indicators are often more volatile than the traditional socio-economic indicators on employment, income and consumption. One of the important consequences of the current financial crisis is precisely that the trust of financial intermediaries in each other and the trust in banks and bankers have been destroyed.

A. Institutional response of statistical offices

30. In the view of Statistics Netherlands, the institutional response of statistical offices has to be more than just providing better short-term or timely traditional data. Statistics Netherlands has chosen to extend the scope of social statistics to include more information about what people think and feel and what forms the basis for their actions and evaluation of their living conditions. In particular, more information about social trust and solidarity, trust in government and its institutions and, for example, trust in financial intermediaries and bankers is essential in these times of crisis. This broadened scope also implies more efforts to collect data about the so-called hard-to-count population groups, like the homeless.

31. As well as a broad scope of social statistics, Statistics Netherlands needs more flexibility in their survey data collection and processing. The present system of social statistics is not typically geared to rapidly monitor changes that may happen during crises and this calls for new solutions to collect survey data quickly. Statistics Netherlands is investing in a redesign of its household surveys to meet new information needs quickly and in a cost-effective way. Although changing the infrastructure of the household surveys involves a number of risks, retaining the present structure is not forward-looking. By implementing a redesign of households surveys which optimises the modern technology of computer-assisted and web-based interviewing in a mixed mode approach, household surveys in the Netherlands will better provide quickly relevant data to monitor the social and economic situation of households, under the condition of minimising new data reporting requests.

32. A broadened scope and a flexible survey data collection infrastructure will be key for preparing social statistics for future monitoring of economic changes and to anticipate future social changes.

VI. Conclusions

33. The general conclusion is that, on the whole, with its current statistical programme, Statistics Netherlands has been able to provide relevant and timely social information and to monitor the most vulnerable groups in society during the current crisis. Furthermore, Statistics Netherlands has chosen to extend the present scope of social statistics to include more information about what people think and feel and what forms the basis for their actions and evaluation of their living conditions.

34. In the view of Statistics Netherlands, the institutional response of statistical offices has to be more than just providing better short-term or more timely traditional socio-economic data. A broad scope of social statistics and a flexible survey data collection infrastructure will be decisive in preparing social statistics for the future. Consequently,

with regard to the forward-looking aspects, Statistics Netherlands feels that the response in terms of statistical infrastructure should lead to more focus on public opinion and a greater flexibility in survey data collection and processing infrastructure.
