Chapter 9
(Almost) complete convergence: Ageing in the Danish and Dutch welfare states

Gøsta Esping-Andersen, Jon Kvist and Niels Ploug

Introduction

In his now classic contribution, Kees van Kersbergen (1995) highlights the influence of religion, and especially Catholicism, in the making of a group of European welfare states. Here, the Netherlands stands out as a prototypical case. Although a rival to the social democratic variant, such as the Danish, comparative data demonstrates that the Christian democratic approach displays similarities in terms of generous income maintenance and ample population coverage.

In this chapter, we compare these two welfare regimes in terms of their policies addressing the living conditions of the elderly. How do they manage the social risks and living conditions associated with old age? This is the question that shall guide our analyses. As will become apparent, the two nations' social protection for, and level of well-being among, the elderly is surprisingly convergent despite a distinctly different socio-political context.

Denmark stands out as an historically highly homogenous society, and its welfare state edifice is very much the legacy of strong social democracy. The Netherlands, in contrast, stands out for its religion-based pillarization and the postwar social policy dominance of primarily Catholic political parties. The 1970s saw the emergence of a social democratic imprint, but this was to a certain extent cancelled as neo-liberal ideologies and efforts to privatize social programs came to the fore from the 1980s onwards (van Hooren and Becker, 2012).

Building on data from the OECD, Eurostat, and the EU-SILC, we analyze both 'objective' and 'subjective' measures of well-being within the population aged 65+. In order to contextualize our data on welfare levels and distributions, we include summary descriptions of the two countries' basic social policy characteristics from the perspective of the retiree population, i.e., income support (pensions) and social care services.

What is quite clear is that the two countries do not differ significantly in terms of the income position of their aged citizens. Poverty rates are very low in both Denmark (4%) and the Netherlands (5%) according to the latest (2021) OECD data. Indeed, the two countries boast some of the lowest old-age poverty rates globally. However, while the Danish poverty *gap* indicator – measuring the intensity of poverty by the mean distance of the poor to the poverty line – is comparatively narrow (11%), the Dutch is more than double that (28%). The two countries also differ in terms of total public pension expenditure (8% of GDP in Denmark and only 5% in the Netherlands) – in the latter case, a private pension component plays a role, albeit not hugely so. The substantially lower spending level in the Netherlands can in great part be ascribed to low employment levels across women's life course which, in turn, translate into fewer and lower pension entitlements. However, income replacement rates for those with full entitlements are similarly generous (89% in the Netherlands; 84% in Denmark).

This suggests that if there are any significant differences between the two welfare states for the aged, it may be more related to social care than income maintenance.

Pensions and retiree incomes in Denmark and the Netherlands[1]

If we are to believe the Mercer Global Pension Index, Denmark and the Netherlands have the second and third best pension system in the world, only surpassed by Iceland (Mercer, 2022). The European Commission, too, continuously rates the Danish and Dutch system as the best in the European Union. Both Mercer and the Commission score countries' pension systems according to three criteria. The first two criteria concern adequacy and sustainability, and the third concerns integrity in the Mercer index, and modernization in the Commission's index. The main reason why the two systems score so well is because they boast three pension pillars which are

1 The Dutch situation is based on Anderson (2011). We thank Anton Hemerijck and Diederik Boertien for their generous help in orienting us for the Dutch case.

approaching maturity. Both include a first pillar that safeguards against poverty, a second that secures a substantial degree of income replacement, and a third essentially private pillar enjoying favorable tax treatment.

In 1956, Denmark introduced a universal flat-rate pension for all citizens aged 67 and over. All residents are entitled to a full pension if they have lived in Denmark for at least 9/10th of the years between age 15 and retirement age. The retirement age is indexed to longevity; it is currently still 67, but it will rise to 68 in 2030.

The second Danish pillar represents funded occupational pensions. These received a boost in 1991 when they were extended to almost all parts of the labor market covered by collective agreements. Considering that employment levels are universally very high for women as for men, virtually all citizens have become eligible for a second pillar at the end of their working life. Soon, the majority of Danish retirees will receive more than half their income from these occupational pensions.

Similar to Denmark, and inspired by the Beveridge model, the Netherlands introduced a universal flat-rate basic pension in 1957 for all citizens aged 65+. Residents accrue 2% every year up to 50 years, implying that having been a resident non-stop through one's adult life will guarantee 100% benefit levels. The system is now raising retirement age to 67.

The dominant part of most retirees' income support derives from the second-tier insurance-based labor market pensions. The coverage level is near-universal for citizens with an employment record (about 85% of all Dutch employees are covered). The pensions are linked to the employment contract and derived from collective agreements. They adhere to the defined-benefit formula.[2] There are distinct funds for various industrial branches, types of firms, or professions (e.g., doctors). In most sectors of the economy, this second-tier insurance pension scheme is mandatory. Although it covers the vast majority of employees, it is a somewhat male-biased system since Dutch female employment has historically been rather

2 The Netherlands is currently undertaking a major pension reform, and the second-tier system is scheduled to become a defined-contribution based scheme as of 2026.

marginal and remains biased in favor of a part-time dedication and lengthy interruptions related to births and care of children.

Additionally, the system includes a third-tier pension, quite limited in scope, utilized primarily by groups such as the self-employed that cannot participate in the second-tier, employer-based plans. It is premised on individualized pension products offered by banks or insurance companies.

Because the second pillar requires long and stable careers, it is sensitive to labor market participation. Accordingly, the comparatively weaker labor force attachment among Dutch women implies a much wider gender-specific pension gap in the Netherlands than in Denmark.

That said, the two countries' retirement policy packages are quite convergent, and they do in fact produce very similar welfare outcomes among the elderly. This can be seen from the data presented in Tables 1 and 2 below.

Table 1: Relative incomes of the elderly in Denmark and the Netherlands

	Denmark	Netherlands
Average income as % of population average		
Age 65+	81.3	85.6
Age 75+	73.1	76.9

Source: OECD (2021).

As mentioned above, the incidence of poverty among the elderly in both Denmark and the Netherlands is comparatively very low due to the effectiveness of the two countries' retirement pension systems. This profile is also supported by subjective measures. Table 2 depicts the percentages (9.4 in Denmark and 7.5 in the Netherlands) who express an inability to face unexpected expenses, both when compared to the rest of Europe and when compared to the population average within each nation. Less than 10% of the elderly in both countries express their inability to face unexpected financial expenses. This is less than half the level in the general population in the two countries and of the elderly in EU27.

Table 2: Inability to face unexpected financial expenses, 2021

	Two adults. At least one 65+	All
Denmark	9.4	19.5
Netherlands	7.5	15.1
EU27	22.6	30.1

Source: EU-SILC data 2021.

The positive living conditions of the elderly is also reflected in subjective measurements of overall life satisfaction and happiness. On a life satisfaction scale from zero to ten, with ten being most satisfied, the elderly in Denmark and the Netherlands score quite high. As is evident in Table 3, there are only minor differences across the two countries, gender, and degree of ageing; it is evident that the vast majority of the elderly are blessed with a high degree of life satisfaction. The European Union average is markedly lower for all groups.

Table 3: Life satisfaction, 2021, scaled from 0-10

	Men	Men	Women	Women
Age	65-74	75+	65-74	75+
Denmark	8.0	7.9	7.8	7.8
Netherlands	7.9	7.9	7.8	7.7
EU27	7.1	6.9	7.0	6.7

Source: EU-SILC data 2021.

This picture of the life situation of the elderly in Denmark and the Netherlands is echoed in the measurement of overall happiness (see Table 4). The great majority of elderly men and women in Denmark and the Netherlands are happy always or most of the time. The differences across gender and age groups are, once again, quite marginal. And it is also worth noting that happiness levels in the European Union overall are substantially lower, and they decline markedly in tandem with ageing.

Table 4: Percent happy: Always or most of the time, 2021

	Men	Men	Women	Women
Age	65-74	75+	65-74	75+
Denmark	71.7	75.0	71.1	74.0
Netherlands	80.0	75.0	75.3	71.0
EU27	63.3	55.4	54.7	46.8

Source: EU-SILC data 2021.

Elderly care in Denmark and the Netherlands

Beginning in the 1960s, care services for the elderly were defined in universalistic policy terms both in Denmark and the Netherlands. However, on this dimension, we see divergent trends.[3]

Today, the Danish long-term care system is perhaps the most universal long-term care (LTC) system in the world. It aims to guarantee quality of life for persons in need of care and furthermore to enhance their ability to care for themselves. To achieve this, it comprises four elements: preventative home visits, rehabilitation, home help services, and elderly homes.

LTC is organized and delivered by 98 municipalities and for certain health benefits by Denmark's five regions. It is financed through general taxation and is generally provided free of charge. The trend towards deinstitutionalization of elderly care started in 1987 and is still ongoing, most recently with a renewed emphasis on rehabilitative measures and on small teams delivering LTC, inspired by the Dutch *Burgzorg* model.

In 2018, 8.2% of persons aged above 65 years of age received a preventative home visit, 1.0% underwent rehabilitation, 10.3% received home help services, and 5.6% resided in elderly homes (Kvist, 2020).

Population ageing and increased life expectancy constitute a formidable challenge for the LTC system. All the while a large number of LTC professionals reach retirement these years, we witness a rapid increase in the number of frail elderlies. The number of elderly people above the age of 67 years will increase by 326,000 from 2022 to

3 For an up-to-date comparison of long-term care policies, see Verbakel et al. (2023).

2040 (Danmarks Statistik, 2022). And the number of elderlies above the age of 80 will increase from 291,500 in 2022 to 499,500 in 2040; an increase of 200,000 equaling 71%. In fact, incremental cuts over the past years have resulted in a decline of the scope of LTC.

Besides deinstitutionalization, rehabilitation, and service organization in smaller teams, there is also an emerging push in favor of private elderly care since 2009 (Kvist, 2020). The elderly can now choose between a private or public nursing home. The former is, however, quite marginal. In 2021, the number of places in private care amounted to 1,700, equaling 2% of the total number of places in residential care (Danmarks Statistik, 2021).

Turning to the Dutch case, the expansion of old age home places was quite extraordinary in the 1960s and 70s, probably only matched by Scandinavia.[4] Trends over the past decades are dominated by two key principles. First, until recently there was a notable fall in *informal private* (i.e., familial) care for the needy elderly – driven in part by demographics and in part by heightened individualism and geographical mobility (all of which entail less familial caregiving). However, this trend has been reversed (see below).

Second, following a 1992 Law, and accelerating over the past two decades, cost-containment measures have spurred a move away from universalism and towards means-testing. In parallel, we witness greater reliance on private elderly care provision, and the (public) system has experienced substantial cutbacks in professional care personnel. The decline is very evident in the share of elderly in long-term care homes (dropping from 9% in 1985 to 4% in 2005).

Privatization has also occurred within other social care services. This is particularly the case for home help. The receipt of home help (when needed) became a *de facto* citizens' entitlement during the 1990s. However, the rights principle was subsequently cancelled, and access to these services is now to a greater degree subject to income testing. The retreat of the public sector accelerated following the 'Usual Care Protocol' from 2003. This is especially clear for home help services. The reform increased the recipient co-payment rates substantially, and it aimed to encourage a greater role for informal familial care. As a result, the percent frail elderly receiving public-

4 Our treatment of Dutch elderly care policies builds to a large extent on van Hooren and Becker (2012).

ly provided home help declined from 18% in 2000 to 13% a decade later.[5] In parallel, the incidence of family-provided care doubled for more occasional support and rose by 30% for frequent and more intensive familial care giving.

Scholarship suggests that the neo-liberal policy shift in the Netherlands' elderly care services has fostered two problematic trends. As emphasized in the study by Swinkels et al. (2015), the first problematic trend is that the elderly population now experiences more loneliness and less life satisfaction. As emphasized by Da Roit (2012), the second is that this shift has nurtured social dualisms: community-provided care is increasingly limited to the less educated and to the low-income elderly, whereas the higher educated and well-off have moved towards private self-payment elderly care (see Da Roit, 2012; Swinkels et al., 2015).

Conclusions

In our title, we hedged our claim of complete convergence with a parenthetical 'almost'. The parenthesis was in part meant to suggest that the reality of complete convergence was, empirically speaking, up for grabs. And, in part, it was added to our title because, yes, history at one point in time created convergent elderly policies in the two countries. But then the historical dynamics of the two polities went into a divergence mode. This was the case with services but not with income maintenance. Retirement benefits and their welfare outcomes could hardly be more similar than those found in Denmark and the Netherlands.

Divergence is, however, clearly manifest within the field of care services for the elderly. Denmark has remained faithful to its age-old principle of universalism and social rights premised on citizenship (or residence). In the closing decades of the 20th century, the Netherlands embraced neo-liberalism, promoted privatization, and eroded the idea of social entitlements. The neo-liberal policy shift was clearly accompanied by policy rollbacks; but it also signaled that

5 For details, see van den Broek, Dykstra and van der Veen (2017). As it turns out, the rate of public home help service provision in the Netherlands (13%) is almost identical to current Danish rates (see also van Hooren and Becker, 2012: Table 3).

the Christian democratic values that have influenced Dutch welfare policy to a large degree are on the wane.

Our chapter is but one little contribution to the Festschrift volume honoring Kees van Kersbergen's academic achievements and huge influence within the world of social policy comparativists. His *Social capitalism: A study of Christian democracy and the welfare state* was a scientific vanguard, the first to analyze systematically and thoroughly the Christian democratic variant and its foundational properties. And it taught us that social democracy did not have a monopoly as architect of large welfare states.

In a sense, his opus remains highly relevant also as a first guide to grasp the radical neo-liberal policy shift that Dutch social policies have experienced. The implications of his book are, to repeat, that Christian democracy favors generous social policies. Ergo, if Christian democracy is evermore weaker, be it ideologically or as policy maker, the social welfare foundations it laid will perhaps experience a similar dynamic of weakening and erosion.

The Denmark-Netherlands comparison that underpins our small contribution was an obvious choice considering Kees' Dutch roots and Danish academic career. But more than three decades ago, one of our chapter's three authors, Gøsta (a Dane), was the doctoral thesis advisor of Kees (a Dutchman). It may very well be the case that this original Danish-Dutch synergy paved the way not only for his *Social capitalism* opus but also for his later decision to become a full-fledged Danish professor.

References

Anderson, Karen Marie (2011). The Netherlands: Adapting a multi-pillar pension system to demographic and economic change, Chapter 11 in Bernhard Ebbinghaus (ed.), *The varieties of pension governance.* Oxford: Oxford University Press.

Da Roit, Barbara (2012). The Netherlands: The struggle between universalism and cost containment. *Health and Social Care in the Community* 20 (3): 228-237.

Danmarks Statistik (2021). Fortsat færre ældre bor i pleje- og ældreboliger. *Nyt fra Danmarks Statistik*. Copenhagen: Statistics Denmark.

Danmarks Statistik (2022). Befolkningsfremskrivning for hele landet efter herkomst, køn og alder. Copenhagen: Statistics Denmark.

Kvist, Jon (2020). ESPN thematic report on access to essential services for low-income people – Denmark. Brussels: European Commission.

Mercer (2022). *Global pension index*. Melbourne: Mercer.

OECD (2021). Pensions at a Glance. Paris: OECD.

Swinkels, Joukje C., Bianca Suanet, Dorly J. H. Deeg and Marjolein J. Vroese van Gronou (2015). Trends in the informal and formal home-care use of older adults in the Netherlands, 1992-2012. *Ageing and Society* 36 (9): 1870-1890.

van den Broek, Thijs, Pearl A. Dykstra and Romke J. van der Veen (2017). Adult children stepping in? Long term care reforms and trends in children's provision of support to impaired parents in the Netherlands. *Ageing and Society* 39: 112-137.

van Hooren, Franca and Uwe Becker (2012). One welfare state, two care regimes. *Social Policy and Administration* 46 (1): 83-10.

van Kersbergen, Kees (1995). *Social capitalism: A study of Christian democracy and the welfare state*. London: Routledge.

Verbakel, Ellen, Karen Glaser, Yasmina Amzour, Martina Brandt and Marjolein Broese van Groenou (2023). Indicators of familialism and defamilialization in long-term care. *Journal of European Social Policy* 33 (1): 34-51.