Another method of pinpointing need is by what are termed 'social indicators'. Density of population, pockets of unemployment, rising rates of various kinds – infant deaths, juvenile delinquency, vandalism, etc. – are often not only seen as problems in themselves, but as indicators of a high incidence of related problems.

Measuring need

There are three accepted methods of measuring need – relatively, normatively, and absolutely.

Relative need

Relative need is measured against some non-need situation – another group, another time, another place or another situation. As examples, poverty may be measured as a percentage of the total income distribution; education, by test scores; drug abuse, by arrests or hospitalization; and so forth. Lifestyles can also be relative – the status of women, the amount of freedom given youngsters, and conspicuous consumption, among others.

Normative need

Some areas of need are seen by the public as normative – just the way things are. Retired people are assumed to be unhappy; the aged are seen as ill, poor, or both; institutionalized people are all in poverty; the homeless are such by choice – or they are drug-dependent or mentally ill – and new immigrants are 'different'. These assumptions make it unnecessary to search for ways to fulfil their needs.

Absolute need

There are, in most countries, legal definitions of blindness, deafness, disability and – increasingly – mental illness. No comparisons or judgments are required – the regulations determine the existence and the extent of need. As noted previously, food needs in the United States are fixed at 1,300 calories a day. Medical needs are sometimes fixed by hospitals or health maintenance organizations by listing the costs of certain treatments, often without concern for relative or normative considerations.

See also: dependency; food stamps; mutual aid; poverty; poverty lines; preference; rights; social work; Townsend Movement

Further reading

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DAVID MACAROV

NEGATIVE INCOME TAX

The proposal for a negative income tax (NIT) is aimed at raising the income of poor households through the medium of the income tax system. The expression is confusing, since the term 'tax' generally refers to a payment to the public treasury, while the word 'negative' may suggest a loss of revenue. Yet if implemented an NIT would imply the payment of substantial subsidies by the tax authorities. In its purest form, an NIT would provide a guaranteed income to all households whose revenues fall below a given threshold. Under such a scheme, households with no income are entitled to the full subsidy. As other income rises, whatever its origin, the benefit is reduced at a rate lower than a 100 per cent tax. When the total income reaches a given level called the 'break-even point', the positive cash transfer (or negative tax) is zero. Above that level, the household starts paying positive taxes.

An NIT differs from a universal basic income in three crucial ways: an NIT usually operates at household level; it is targeted at low-income households and the amount to be transferred is determined *ex post*, when the tax return has been processed. Unlike basic income, NIT may or may not be paid in return for a willingness to work.

These general features allow for many variations in the specific design of the proposed NIT system. Whereas some authors argue for benefit levels calculated to bring low-income households up to the poverty line, others favour a modest guarantee supplemented by conditional schemes. Some view the NIT as a full substitute for existing income-security programmes, whereas others consider it as an additional benefit. NIT plans also diverge regarding the rate at which earnings are taxed. Admittedly, a high marginal tax rate undermines work incentives, whereas a lower rate makes the scheme more expensive.

According to its supporters, a comprehensive NIT scheme is superior to the existing patchwork of categorical programmes. In many cases, they argue, restrictive eligibility requirements and administrative opacity prevent the truly needy from receiving benefits. With a NIT in place the payment would be automatic, being based on a simple income-test. Accordingly, stigmatizing procedures and conditions would be removed. NIT proponents also emphasize the high effective marginal tax rates implied by traditional transfer payments, which catch low-income households in a poverty trap. A well calibrated NIT would reduce these rates and foster work incentives.

Opponents of the NIT have often focused on this question of incentives: by providing an unconditional cash floor, they believe, it would weaken the willingness of low-income households to enter the labour market. On the left of the political spectrum, many also fear that the implementation of an NIT would undermine minimum wage legislation. Companies would be exempted from paying decent wages, since the tax authorities would supplement all low earnings. Moreover, some have stressed the fact that an NIT, because it would operate *ex post*, would fail to provide a reliable income floor to the poor.

The notion of an NIT had already appeared in 1838, in a book by the French economist Augustin Cournot. It was mentioned in the writings of economists Abba Lerner and George Stigler, in 1944 and 1946 respectively. But the discussion on NIT really started in the early 1960s when Milton Friedman suggested its introduction as a welfare reform. In subsequent years the idea was explored by numerous economists in North America. In the USA the most prominent figure in the debate was James Tobin. As an adviser of George McGovern, Tobin managed to include NIT in the Democrats' platform for the 1972 presidential election. The proposal was at the core of Nixon's Family Assistance Plan. In Canada during the 1970s and 1980s the proposal was taken up in various official reports. As in the USA, social experiments were launched during the 1970s to test the viability of a comprehensive NIT programme. The proposal inspired reforms of the tax and transfer system in some industrialized countries, such as the American Earned Income Tax Credit (enacted in 1975), the British Working Families Tax Credit (1999) or the French *Prime pour l'Emploi* (Employment Premium) (2001).

See also: anti-poverty policies; basic income; claw-back; fiscal welfare; poverty trap, the; safety net; take up; tax credits

Further reading

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YANNICK VANDERBORGHT

NETHERLANDS, THE

The Dutch welfare state is a typical North European Continental welfare state. Its institutions reflect a mix of confessional/ corporatist and social democratic ideas and ideals. Like in other European countries, its was mainly constructed in the 1950s and 1960s. When it was almost finished it had to face a global economic crisis, triggered by the oil crises of 1973 and in 1979. Then it appeared that the welfare regime could not handle a worldwide depression financially. So the Dutch were forced to restructure it in order to achieve a more sober and efficient institution. Twenty years of permanent change led to a system that could be more sustainable. At the end of 2002 the number of disabled persons was still high and unemployment was rising again. Moreover, like many other developed countries the Dutch foresee a significant increase in the number of pensioners, especially from 2010 on. The policy implication is clear: ongoing attempts to cut social expenditure are a necessary element in a policy focused on the maintaining of a welfare state.

To better understand Dutch social policy problems we first briefly sketch the origin and historical development of the system. Then the economic crisis will be discussed, including the social-policy reaction. At the moment there are still problems to be tackled. Because of the growing numbers who take early retirement or are pensioned, the Dutch must hurry their attempts to completely re-organize the system that links social policy with labour market policy. We end up with a philosophical overview, so we can assess the possibilities of maintaining a sober welfare state in a small and open society like the Dutch one.

The origin of the Dutch welfare state can be traced to the period 1870–1900. The first half of the nineteenth century was a period of transition from a conservative to a liberal state. In both kinds of polity the confessional element was relatively strong. This meant that in the conservative period 'care for the poor' was recognized to be a responsibility of government. The liberal approach to poverty was focused on private and social rather than political responsibility. But by the end of the nineteenth century confessional politicians were becoming increasingly convinced – partly because of increasing pressure from Marxist-oriented unions and political organizations – that the government had a responsibility in matters like child labour, and income in case of unemployment, illness and old age.

In the first half of the twentieth century a process of democratization and collectivization took place. The 1930s especially, because of the Great Depression, are characterized by significant institutional change. Social democrats and confessional politicians agreed upon a corporatist structure of, in particular, the process of wage determination and the organization of social insurance. After the Second World War the Dutch government adopted a whole series of social security and social assistance legislation. The most important building blocks were the following:

- Legislation on unemployment was adopted in 1949 and renewed in 1965. The benefit rate became 80 per cent and the maximum duration was 156 days – in 1967 this was reduced to 130 days.
- Legislation relating to illness was introduced in 1953, which was an improvement on legislation already adopted in 1930. The level of the benefit rate was set at 80 per cent.