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POLARIZATION AND THE DUTCH WELFARE STATE. THE CASE OF AMSTERDAM

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The Netherlands has gone through a process of deindustrialization and tertiarization. This resulted in a considerable change in the number and type of jobs. Next to this changing households and international immigration made the Dutch population much more diverse. However, in The Netherlands the welfare state reduces differences in income. So, (new) poverty and (new) wealth is only marginal.

As elsewhere the suburbanization process caused a difference in socio-economic terms between Amsterdam and its urban region. However, this difference is not growing anymore since the 80s. City and urban region differ even more with respect to ethnicity and household type. The compact city policy aims to reduce these differences, especially the socio-economic difference. Differences in household type however are functional and desired by the population involved. So, these do not need correction; the socio-economic cleavage and the ethnicity difference do!

Within the city there is some gentrification and, in general there is some decrease in purchasing power of welfare payments. But overall, within the city the differences are small; segregation and polarization is limited and not growing.

The welfare state is in crisis. This might result in a fundamental change of the system. This can lead to dramatic changes within Amsterdam, because the population of this city (as other Dutch cities) is highly dependent on payments of the welfare state. Such a change might result in the introduction of "hard cities" within The Netherlands. Of course the big task for the state is to reconstruct the welfare state without introducing such consequences.

Key Words: Housing Market, Urban Region, Urban Poverty, Segregation, Polarization, Welfare State

1. Introduction

Generally The Netherlands is regarded as a very complete example of the welfare state. In this view the most significant feature is the broad interference of the state in many aspects of life: "state-care is everywhere". This interference is supposed to have a large impact, for instance related to socio-economic differentiation and polarization.

To some extent this picture may be true. However, societies are not functioning on isolated islands. This is even more true for The Netherlands, because of its size and historical openness of the economy. So, many changes are going on. These changes will also affect the future definition of the welfare state and, as a consequence, the socio-economic differentiation and the picture in cities and urban regions.

In this contribution we will pay attention to the most important changes in Dutch society in the past two or three decades (Section 2) and describe the socio-spatial

consequences in the urban region of Amsterdam and within the central city of Amsterdam (Section 3). In Section 4 recent policies in reaction to the changes in society and consequences for urban life are discussed. Finally (Section 5) and in a speculative way we deal with the question whether the developments will eventually lead to a fundamental retreat of the welfare state, and thus to the rise of a 'hard city' or not.

2. Dutch society in transition

a. Economic restructuring

O'LOUGHLIN (1992: 24) noticed that over the past twenty years The Netherlands performed close to OECD average. As far as productivity is concerned the country is characterised as a fairly successful economy that has managed to avoid much of the boom-bust character of other OECD member states. The author also mentioned the state-dependency of the economy. Over 50 percent of employment is state dependent. This phenomenon as well as the accent on food-processing industries may well have acted as a buffer reducing the effects of economic fluctuations.

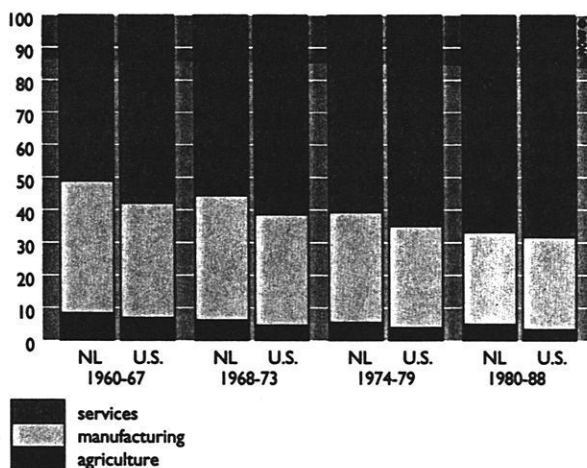
Like many other capitalist countries, The Netherlands has been confronted with structural economic transformation slowly leading to an economy with a 'post-industrial' profile. Deindustrialization and tertiarization processes were at the core of this restructuring.

Figure 1 shows the development of employment shares in manufacturing and service industries in The Netherlands, compared to the USA figures. Though the starting positions were somewhat different, the comparison is showing that the trends are very much alike. The most recent data reveal much similarity between the two economies, at least as far as the *structure* is concerned.

But, one should not only look at the development of the structure, but to the unemployment figures and the speed of the growth in general, too. Looking at a somewhat longer period, The Netherlands does not perform so well.

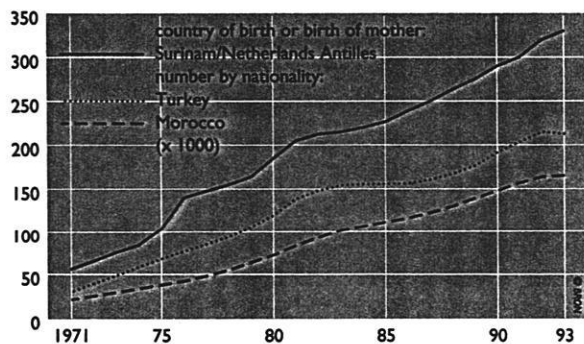
Although the yearly growth of employment in the Dutch business services sector (8.3 percent) during the period 1987-1990 is promising, over the period 1973-1990 only an average yearly growth of 4.9% could be registered. Growth in the service sector as a whole was even lower: 2.2%. Both last-mentioned figures are much lower than US figures. Yearly growth of 'post-industrial' employment in the US between 1960 and 1984 was 6.7 percent. So, The Netherlands is developing towards a post-industrial profile, implying a larger demand for high-skilled labour, but has to cope with a shortage of jobs.

Figure 1 The employment structure in The Netherlands and the USA 1960-1988



Source: Kloosterman & Eifring 1991

Figure 2 The ethnic composition of the population of The Netherlands 1971-1993



Source: Tas 1993; Muus 1993

b. International migration

Until recently, the number of 'foreigners' immigrating in The Netherlands has been fairly modest. During some periods, the number of immigrant people was even offset by the number of outmigrating people. Substantial numbers of Dutch inhabitants moved to Canada, Australia and New Zealand during the 50s and early 60s.

By and large, and apart from World War II, ethnicity was not an issue until the 60s. Only since then, the influx of foreigners has increased significantly. In fact, there have been at least three types of international migration, often aimed at staying in The Netherlands permanently. These types were related to:

- (the termination of) colonial relationships,
- the need for an extended labour force, and
- global economic and political shifts.

The total result of these different immigrations is a population that is more diverse in an ethnic and cultural respect (Figure 2). Some speak of a multicultural society. It is of great importance to realise that a relatively high proportion of the immigrants is low-skilled or manufacturing oriented. A mismatch between the demand for and the supply of labour is easily developed then (KASARDA et al. 1992). One should be aware of the fact that the picture of Figure 2 is to be considered as an underestimation. Of course, illegal residents are not shown. Next to this ethnic background is a feature that is difficult to describe statistically. In the graph we used nationality as an indicator to measure the number of Turks and Moroccans, because this was the best statistic available. However, at least in recent years, the number of Turks and Moroccans in an ethnic (or cultural) sense with Dutch nationality is growing. Relating to Surinamese and Antilleans, we are able to use country of birth (of ego or of ego's mother) as an indicator. But, of course, this criterion is losing significance as well when growing numbers of the third and later generations should be counted.

c. The growth of the Dutch welfare state

After the Second World War the Dutch welfare state developed rapidly. In general, one can say that its purpose was to prevent people from becoming poor. This was aimed for by paying attention to three key aspects:

- 1 The distribution of affluence.
- 2 The level of social segregation.
- 3 The chances for social mobility.

The Dutch welfare state interferes with all three key aspects of poverty: the state redistributes income, combats social segregation and promotes social mobility.

• Redistribution of affluence

The Dutch welfare state commands many instruments that promote the redistribution of income and guarantee access to good-quality housing for everyone. These instruments include tax codes, social benefits, disability benefits, unemployment benefits, and welfare payments. In addition, there are housing

subsidies, both for producers and for consumers, as well as subsidies for health care, etc. (cf. SWAAN 1988, KLOOSTERMAN & LAMBOOY 1992).

With respect to housing, the high share of social rental housing in the total stock (highest of all EU countries) should be mentioned. Next to this the housing stock is relatively new, of good quality and well equipped.

In summary, the Dutch welfare state creates relatively modest contrasts between population groups in terms of possibilities to consume.

- Combating social segregation

Income redistribution policy and the provision of social housing have been highly effective combating social segregation in The Netherlands. In the system of housing allocation money is of only moderate importance. To a large extent housing *needs* determine whether a household can gain access to a dwelling: the number of persons belonging to a household is of major importance to determine the size of the allocated dwelling. If a household cannot afford to pay the rent of the allocated dwelling, usually rent subsidies are available. The result is that - even within a relatively homogeneous stock - a mixture of households by income level can occur. This mixture even is a policy goal for local authorities. The 'Iron Law of the Housing Market' (PRIEMUS 1984), that stresses the strong connection between the income of a household and the price and quality of the dwelling, surely applies to the US. There one might even speak of a relation of steel. In The Netherlands however, a much more gentle concept would be more appropriate.

- Promotion of social mobility

The access to the Dutch educational system is very open. Virtually 100 percent of the educational system falls under the authority of the state. The costs to the users are low. A good education has always been an important condition for getting a job, especially a job with high wages. The new job opportunities are demanding constantly higher training, but there is still a strong correlation between the level of training and the labour market participation rate. In general there is no great reason for concern, because the average level of completed education is rising strongly (SCP 1992a: 28). The changes going on indicate a professionalisation process: the entire population raises its education level (HAMNETT 1994). Ethnic groups however, are performing less well than the average.

And still, unemployment is relatively high in The Netherlands (OECD 1993). One should also be aware that currently, there are some 850,000 disabled persons out of a total labour force of 7,000,000. It is generally assumed that the disability program shelters many unemployed people. Until recently, the welfare payments for the disabled were better (i.e. did not decrease in time) than for the unemployed, so a lot of people preferred the former status and if possible, applied for that.

- The profile of the Dutch welfare state

Comparing welfare states ESPING-ANDERSEN (1990) sees 'three worlds of welfare capitalism', i.e. three types of welfare states with a differing orientation:

- liberal welfare states, "in which means-tested assistance, modest universal transfers or modest social-insurance plans predominate" (p 26). The liberal welfare state prefers the market as the solution for the distribution of benefits; in its welfare policy it is aiming to help only people who are really in need, but in a modest way and after a strict test of their own means, often resulting in stigmatization. The USA is considered as a typical example.

- conservative, strongly corporatist welfare states have welfare policies that are less market oriented. However, the orientation is not directed at redistribution, but at the preservation of existing status differentials. These welfare states "are also typically shaped by the Church, and hence strongly committed to the preservation of traditional familyhood. Social insurance typically excludes non-working wives, and family benefits encourage motherhood" (p 27). Germany is treated as an example.

- social democratic welfare states, "in which the principles of universalism ... of social rights were extended also to the new middle classes ... Rather than tolerate a dualism between state and market, between working class and middle class, the social democrats pursued a welfare state that would promote an equality of the highest standards, not an equality of minimal needs as was pursued elsewhere" (p 27). Sweden is treated as an example.

The Dutch welfare state does not fit very clearly in one of these three 'worlds'. The analysis of ESPING-ANDERSEN results for The Netherlands in a position as a social democratic type of welfare state. With respect to the universal orientation of the Dutch welfare state this is correct. But the Dutch welfare state has marked corporatist characteristics as well. The functioning of the labour market is strongly regulated, as is the case in corporatist welfare states. Thanks to its corporatist characteristics, job growth is moderate and the activity rate is low: a large share of the professional population is in unemployment, early-retirement and disability schemes. The response to the problem of unemployment appears to be crucial. The levels of benefits for the unemployed and disabled are relatively high in The Netherlands, so consumption needs are met. But the organization of the labour market is kept unchanged. Relatively little money is spent on promoting labour market participation and re-entry of the unemployed and disabled. In short, the Dutch welfare state holds a very high ambition in preventing poverty in The Netherlands. However, much more attention is given to the possibility to consume than to programs aiming the re-entry to the labour market of the massive numbers of unemployed and disabled.

As a result the Dutch welfare state can be characterized by its low income inequality and its low activity rate on the labour market. Inevitably, the above described profile of the Dutch welfare state - 'a lot and for everybody' - has its consequences. One of these is that public spending in The Netherlands has grown

tremendously during the last decades, although in recent years some corrections can be noticed. We come back to this issue in Section 4.

3. Socio-spatial consequences

a. Amsterdam and its urban region

From the start of the 20th century Amsterdam has lost inhabitants to its surroundings. The result to its urban region are considerable. In the suburbs one encounters the Dutch family households and as a consequence a lot of purchasing power, customers, pupils, students etc. In Amsterdam one encounters young one and two person households as well as a population of foreign origin. Unlike the households of Dutch origin, the ethnic population in Amsterdam is often living in family households. Moreover, their fertility rate is higher than the fertility rate of the population of Dutch origin. So, while the share of population of non-Dutch origin amounts to 26% (MUUS 1993), the share of children of non-Dutch origin in Amsterdam is more than 50%.

At the beginning of the 80s the attitude of Dutch government relating to ongoing suburbanization, urban population loss as well as the now considerable loss of jobs caused by the massive suburbanization of employment, changed fundamentally. The loss in population and jobs, the decreasing socio-economic position of the urban population as well as the need to reduce mobility for environmental reasons made the Dutch government to switch its policy goal from new towns to the 'compact city' (Fourth Report on Physical Planning in The Netherlands 1988). The compact city concept supported the idea to put an end to the population loss of cities in favour of suburbs: new housing projects should be within the urban areas and near public transport facilities; and the urban population should become more 'balanced' in composition. The compact city concept does not pay attention to the differentiation in housing preferences of different types of households, but wants to make the urban population more balanced by bringing (back) all kinds of households to the city. Although the shift in Dutch policy from new towns to the compact city is at the same time meant to be a shift to a more market-oriented policy - which means that the proportion of social housing will be diminished and that people have to pay the full amount of the costs of their housing - the demands of the Dutch family households for suburban housing are denied. Summarizing, one can state that the differences in household type between central city and suburbs are functional and desired by the population involved. These differences do not need correction; the socio-economic cleavage and the ethnicity differences, however, do.

b. The urban mosaic in the city of Amsterdam

Despite the quickly rising number of foreign immigrants, it is an interesting fact that in Amsterdam, as in other Dutch cities, there is virtually no evidence of clear or

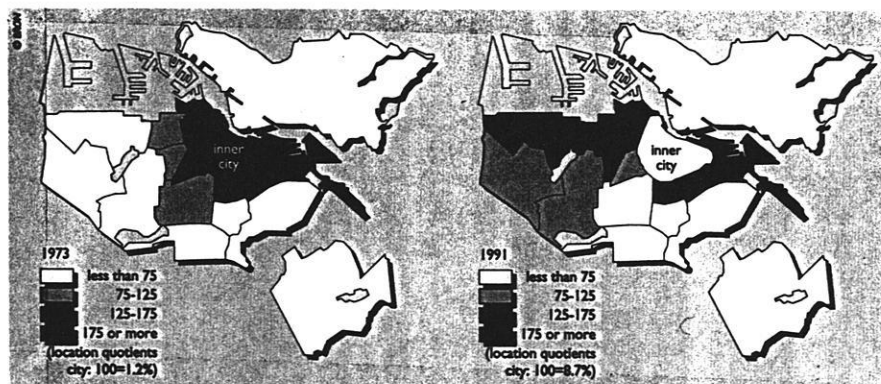
increasing spatial segregation of ethnic groups. The different categories are only moderately concentrated. Figure 3 shows the example of the Turkish and Moroccan population. That is not to say that the patterns do not change over time: the pictures show a lot of dynamics in the residential patterns of immigrant population in Amsterdam.

The distribution of the Turks and Moroccans shows a close relation with the development of the immigration. The process can accurately be labeled as "from lodging houses to family houses". In 1973 the labourers were living in lodging houses in and around the centre of the city, without their families. The expansion of the households in later years, implied a move to the adjacent low-rent neighbourhoods, with a lot of sub-standard dwellings. In more recent years the system of housing allocation has become relevant. The share of immigrant households that reached an adequate position on the housing allocating lists, increased, related to the length of stay in Amsterdam, the size of the (unified) family, and stimulated somewhat by urban renewal activities in the old 19th century neighbourhoods. Compared to the remaining part of the population of Amsterdam the Mediterranean population consists of large families. The municipal system of housing allocation relates size of the family to size of the dwelling. So, more and more immigrant households are able to apply successfully for the relatively large and cheap council dwellings built in the period 1920-1960. Because of the price level the expensive southern sector hardly provides accommodation for Mediterraneans. The centre of the city, which housed almost the complete Mediterranean population in 1973, housed hardly any Mediterraneans in 1991.

Summarizing we notice that, while the relative segregation of Turks and Moroccans does not increase [the index of Dissimilarity is hardly fluctuating and lies around .35 for almost 20 years now (AMERSFOORT 1987 and calculations of the authors)], the overall pattern reveals a shift from the inner city towards the more recently built areas. In other words, the development shows a shift through the concentric zones, as discerned by BURGESS, but triggered by time-specific factors. To state there is no concentration of ethnic groups at all, is too rigid, but it is quite clear that the fast increase of immigrants entering Amsterdam during the past two decades, did not lead to extreme segregation or polarisation processes, compared to for example US cities (AMERSFOORT 1992). An important factor explaining the low level of segregation can be found in the organisation of the Dutch welfare state, including special arrangements in terms of income distribution, housing, social security, subsidies, and the specific battle against poverty.

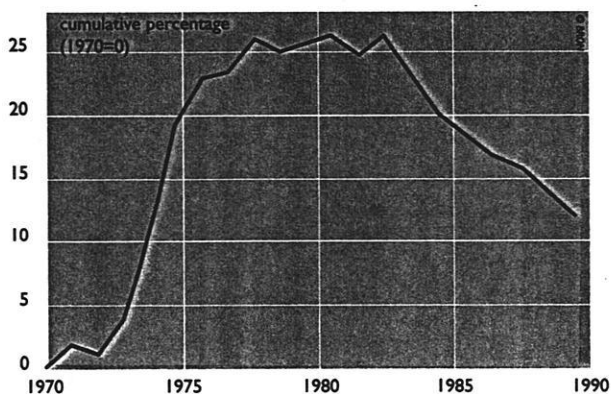
The changing distribution of one and two person households within Amsterdam is related to the suburbanization of Dutch family households and the changing pattern of non-Dutch population. In the 70s and 80s the process of gentrification gradually caused the inner city to develop into residential areas for career-oriented young and highly-educated singles and couples with well-paid jobs. The adjoining parts of the city, built in the 19th century and containing small dwellings that are not very well

Figure 3 The spatial distribution of Turks and Moroccans in Amsterdam, 1973-1991.



Source: Municipality of Amsterdam

Figure 4 The development of the minimum welfare payment compared to the mean income, 1970-1990.



Source: SCP 1992b

equipped, developed into a residential area for less well-to-do small households, such as students and young professionals starting their working career. So, especially Amsterdam's inner city, as the most centrally situated district and containing a lot of monuments often situated along the historic canals, has benefited from the revitalisation (MUSTERD & VAN DE VEN 1991). As a result, the physical and social structure of this core district was completely transformed in the past fifteen years. Until the late 60s, the inner city had some of the most infamous backstreet neighbourhoods in Amsterdam. Nowadays, hundreds of buyers crowd round each time a handful of new or renovated houses are put onto the market in those same areas. At the beginning of the 70s, the inner city was the primary concentration area for the settlement of ethnic, allochthonous immigrants. Currently, the percentage of residents belonging to these minority groups is considerably lower than the average for the city (Figure 3). In this context, it is surprising that this transformation not only comprises socio-economic upgrading but also an increase in the total resident population, in spite of the fact that the average number of inhabitants per dwelling dropped constantly over this period. The changes in the 80s have resulted in a more even spatial distribution of incomes per earner (MUSTERD & OSTENDORF 1991).

Summarizing and generalising it can be stated that within Amsterdam segregation of population with respect to ethnicity, income or size of household is not increasing. Nevertheless, the distribution of population within Amsterdam is highly dynamic. But, maybe unlike one would expect, these changes do not result in polarization within Amsterdam. The cleavage between Amsterdam and its surroundings, however, is considerable.

4. The restructuring of the Dutch welfare state

In the 80s the awareness grew that the Dutch welfare state had its problems as well. The amount of public spending done because of the payments within the framework of the welfare state was very extensive and the central government started some efforts to cut this back. For instance, the policy of the 70s, when the lowest level of welfare payments rose faster than the mean income, came to an end in the 80s, when these payments stayed behind (Figure 4).

But the real weakness of the Dutch welfare state is the missing reaction on the low participation on the labour market. For this reason many people think that the Dutch welfare state has to be restructured (Centraal Plan Bureau 1992).

The urge to restructure the welfare state does not come from inside only. The globalization of the economy easily results in a loss of jobs. The creation or the preservation of jobs is constantly more considered relative to opportunities for contracting elsewhere in the world. For that reason the European Union advocates for harmonization and, even more, liberalization of economic and social policies.

An argument for adjustment of the Dutch welfare state can also be found in the comparative study of ESPING-ANDERSEN (1990), we mentioned above. According to

ESPING-ANDERSEN the key problem of the corporatist welfare state, for which Germany is used as a model, is a slow change in the direction of the post-industrial economy. Germany is characterized by a modest growth in the number of jobs in the service-sector, with a continuation of the loss of industrial employment. Germany does not rely on a maximum of participation, but on a high-productivity in order to finance the burden of maintaining a growing population of (early-)pensioners and non-actives. Entrance and exit on the labour market is regulated, for instance by early retirement and unemployment programs and by financially encouraging guest workers to return. The small growth in the number of jobs results in few chances for new categories on the labour market, such as women and foreigners. So, the chances for social mobility are blocked.

This profile of a corporatist welfare state resembles very much the Dutch situation (see also Section 2c). The slow growth in the number of jobs seems related to the high costs that are involved in creating new jobs (high contributions and relatively high wages).

So, we can conclude that the Dutch welfare state, because of its corporatist characteristics, does not perform well in creating new jobs, that is to say, in solving the most essential problem of poverty: giving opportunities to social mobility.

The study of ESPING-ANDERSEN also gives some clues in what direction an adaptation of the welfare state should be looked for. The liberal type of welfare state, with the USA as his example, appears to create many more chances on the labour market and on social mobility. Here the transformation into the direction of the post-industrial economy is much more advanced. The number of jobs has increased considerably, especially in the field of health, education, welfare, producer services and 'fun' services. The growth relates to jobs demanding higher as well as lower skilled people. Entrance to and exit from the labour market are far less regulated in the US compared to The Netherlands.

To widen the opportunities to enter the labour market the corporatist character of the Dutch welfare state should be relaxed. Trying to compete with the so-called low-wage-countries in the field of manufacturing seems to be a dead-end effort. The creation of new service sector jobs and jobs in new sectors offer better prospects.

Because until now several barriers exist for the development of low-skilled jobs, it is precisely this field where success should be looked for. In other words: the growth of the number of jobs and the reduction of the level of wages has to develop parallel. This may lead to an increase of income inequality and a rise of polarisation, sharper spatial segregation and more frequent social conflict. But the most important choice is between work or no work, and not between one job or another. The initial job may be a job of low quality, but it can function as a take off. That job will increase the probability of upward social mobility and may be the best tool to combat poverty. Exactly this dilemma was in the heart of the Dutch elections in May 1994 and in the forming of a new government: the protection of the minimum wage levels and welfare payments against the creation of more jobs.

5. Conclusion: a future with a hard city?

Up until now the developments like growing unemployment and enlarged influx of foreign migrants have not yet resulted in increased segregation and sharp polarisation between ethnic and social groups in Amsterdam. There are no pronounced spatial concentrations of poverty, unemployment, or ethnic minorities. The special character of the Dutch welfare system is probably one of the main factors that prevented the rise of sharper (spatial) contrasts, as are observed in cities like London by PETSIMÉRIS and, to a lesser extent, in cities like Duisburg and Munich by YAMAMOTO in this book. This suggests that SASSENS (1991) assertion that processes of economic change result in growing polarisation is too general and not valid for the Netherlands, as is showed also by HAMNETT (1994).

In a country like the United States the aspects of poverty we have dealt with - income and housing, segregation, and participation in education and the labour market - are closely related. In The Netherlands the correlations are much lower, thanks to the instruments of the welfare state. With respect to consumption, housing opportunities, and non-segregated housing situations, the Dutch welfare state guarantees an acceptable minimum level, irrespective of the labour market participation. As a result, *livability* in the cities is very well taken care off. There is no poverty in consumptive terms, but there is poverty expressed in terms of the lack of a job, and therefore in the lack of opportunities with regard to social mobility. On the other hand one should not forget that livable cities may also serve as economic magnets, attracting investments and population, and contributing to the increase of tax income and the number of jobs (FRIEDRICHS 1993).

However, for the time being, absence of a perspective of upward social mobility in combination with permanent dependency of the state may result in a decrease in the level of aspiration of individuals, to the development of so-called receptive behaviour, state dependency and, so, to the creation of an underclass (see also WILSON 1987; WRR 1990). This might be labeled 'the trap of the welfare state'. Until now the fear for an underclass in the Amsterdam situation is still lacking ground. Permanent dependency on the state and bleak prospects for social mobility that may induce the development of an (ethnic) underclass, have not been shown so far.

Still, the Dutch welfare state is in a crisis, because the present welfare programs ask for more money than the state is able to supply and because the unemployment figures are much too high. It seems obvious to change the attention of the interference of the welfare state from consumption to participation on the labour market. So, the big task is to increase the participation on the labour market in order to maintain the redistributing efforts of the welfare state.

If national government will seriously look for solutions in the field of new jobs and will step back from state-controlled programs that may stimulate state-dependency, then several effects have to be expected. Market-controlled development will be more prominent. With respect to 'work' there are several effects: minimum wage levels will decline, social security programs will be reduced and job entry and job

exits will be facilitated. As a result social polarisation will increase as well as spatial segregation. With respect to housing there are at least two effects. First, owner-occupier dwellings will become more prevalent. Whereas these are built predominantly in suburban environments, suburbanization of higher-income groups will continue. Secondly, the function of the social rental housing sector for the lowest-income groups will be accentuated. This will diminish the present mixture of income categories among the tenants. Residualization of the sector may be the result. Immigrants and other low-income groups will be restricted to living in this sector and therefore in the cities.

In short, social polarisation and spatial segregation will increase, as well as the chance of social conflict. A polarised urban environment, a *'hard city'* may develop. One should be aware of the fact that in the long run such polarised environments may lose economic attractiveness too. Then along this road population categories will be excluded from mainstream society!

On the other hand such a re-orientation of the welfare state into a more liberal direction will offer more jobs and alongside new prospects as far as upward social mobility is concerned.

In accordance with the description above Amsterdam shows a high proportion of unemployed, students, people (like one parent families) depending on social welfare and people depending on benefits paid because of disability to work (Table 1). So Amsterdam is highly vulnerable for a restructuring of the welfare state.

Table 1 The proportion of the population of Amsterdam and its region (excl. Amsterdam) depending on payments of the welfare state.

	unemployment benefits	disability benefits	welfare payments	Total
Amsterdam	11.8	6.4	4.3	22.5
Urban region	3.8	5.4	1.9	11.1

Source: Central Bureau of Statistics Regional Income Statistics 1989

A fundamental reduction of the payments to these people makes the purchasing power of the urban population to collapse. Subsequently, Dutch society will undoubtedly experience a move into the direction of the *'hard'* city. Since the continuation of the actual welfare state model will lead to problems as well, the big task is to restructure the Dutch welfare state but also trying to avoid the development of extreme social polarisation and the rise of hard cities.

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