

Chapter 2

Benchmarks for the Dutch central government

Basic features

The Netherlands is a country of small size in terms of territory and intermediate size in terms of population and GDP. Its constitutional structure characterises it as a parliamentary democracy. Parliament is elected on the basis of proportional representation. Cabinets are based on coalitions between two or three major parties. Basic statistics about the Netherlands are provided in Table 2.1.

General government employment

The size of employment in central government and in general government (including local government) for the Netherlands is about average.¹ However, this observation is strongly affected by the organisation of the education and health sectors in all the countries concerned. In the Nordic countries, Spain and the United Kingdom, health is entirely inside the government sector; in the Netherlands, it is entirely in the corporate sector. Similarly, in the Nordic countries, Spain and the United Kingdom, private education is entirely outside the government sector. In the Netherlands, all education is in the government sector, including educational establishments owned by private institutions (*bijzonder onderwijs*) which constitute about two-thirds of primary and secondary education.² In this light, a sensible comparison can only be made by leaving health and education aside. Figure 2.1 presents central and general government employment excluding health and education per 1 000 inhabitants and as a percentage of domestic employment. Total government employment includes both administrative activities and service delivery. The sub-sector of social security has been merged with the central government in this figure as well as in all of the following tables of this chapter.³

It appears from Figure 2.1 that, without health and education, the size of general government employment is still in an intermediate position. The size of central government is surprisingly similar between the countries (4 or 5% of domestic employment; 14-22 government employees per 1 000 inhabitants). The Netherlands and Norway have 5% employment in general government, compared to 4% in all other countries. As far as general government is concerned, the Netherlands is in an intermediate position, with larger government employment relative to domestic employment than Spain and the United Kingdom, but lower than the Nordic countries.

Table 2.1. **Basic statistics of the Netherlands (2009)**

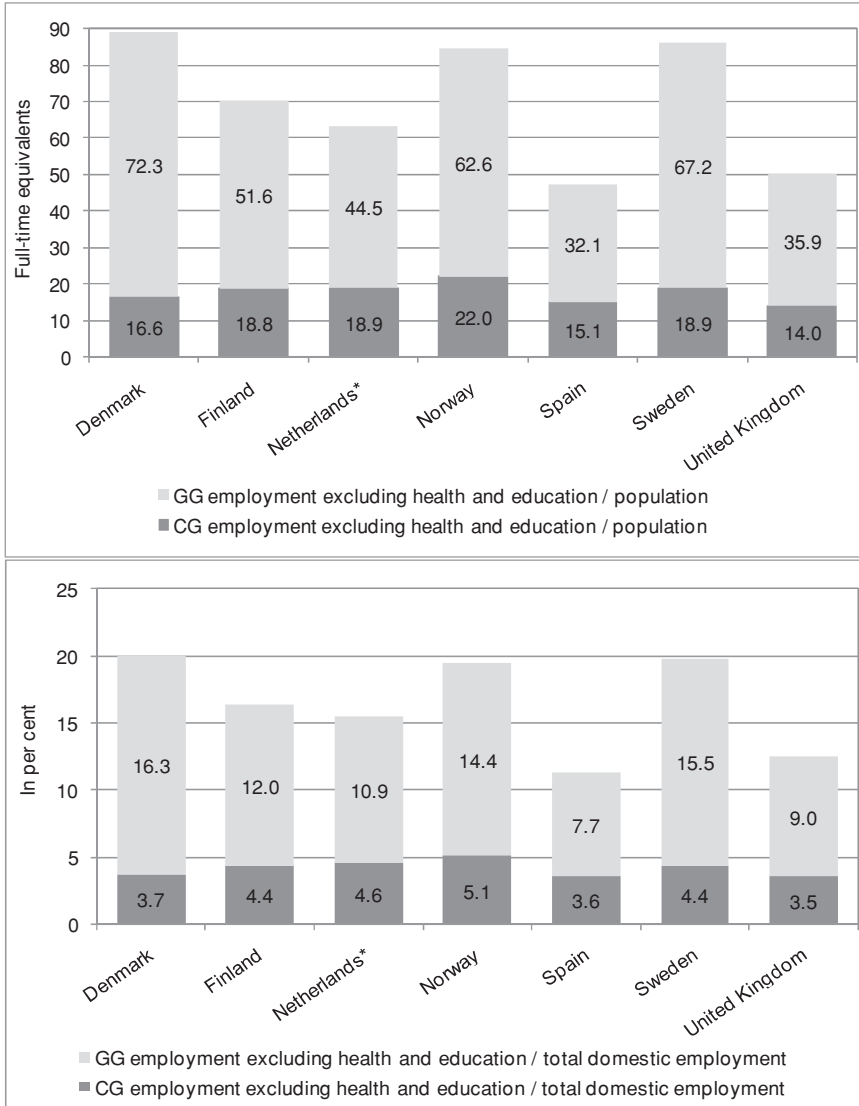
Land and population	
Area (1 000 km ²)	42
Population (x 1 000)	16 417.7
Inhabitants (per km ²)	489
Employment (full-time equivalent x 1 000)	8 638.5
<i>of which:</i> agriculture	222.3
industry and construction	1 549.1
other	6 867.1
Production	
Gross domestic product (EUR billions)	570.2
Gross domestic product per head (EUR thousands)	34.7
General government	
Total expenditures (% GDP)	48.9
Total revenues (% GDP)	46
Deficit (ESA95*) (% GDP)	5.2
Public debt (% GDP)	60.8
Central government	
Total expenditures (% GDP)	30.8
Total revenues (% GDP)	27.4
Deficit (ESA95*) (% GDP)	3.4
Public debt (% GDP)	49.9
Politics	
Composition of parliament (elections 2007)	150
<i>of which:</i> Christian Democrat Appeal (CDA)	41
Labour Party (PvdA)	32
Socialist Party	26
Popular Party for Freedom and Democracy (VVD)	22
Others	29

* ESA95 is the *European System of Accounts* (see Eurostat, 1996).

Source: OECD, *OECD National Accounts*; *OECD Labour Force Statistics*, OECD Publishing, Paris.

Figure 2.1. **Employment in general and central government excluding health and education relative to population and domestic employment**

Full-time equivalents (FTE) per 1 000 inhabitants and % of domestic employment in FTE (2006)



* Data from the Netherlands are for 2004.

Source: OECD Public Finance and Employment Database (PFED).

The centralisation rate of the Netherlands is 42.5, which is rather high, but lower than Spain (see Table 2.2). It is important in this respect to remember that the police is counted in the national accounts as central government employment although the police corps are in fact controlled by the mayors of the larger cities. Another caveat concerning Table 2.2 is that the Nordic countries are much more decentralised than the OECD average and somewhat overrepresented in this table. Among OECD member countries, the Netherlands is in an intermediate range together with the United Kingdom, between the more centralised countries such as Spain and the more decentralised ones such as Denmark and Sweden.

Table 2.2. Employment in general government excluding health and education by level of government

Per cent of total general government in full-time equivalents (2006)

	Denmark	Finland	Netherlands ¹	Norway	Spain	Sweden	United Kingdom	Average
Central government	23.0	36.5	42.5	35.2	47.1	28.2	39.1	36.9
State government					15.0			2.1 (15.0) ²
Local government	77.0	63.5	57.4	64.8	37.8	71.8	60.9	60.1
General government	100	100	100	100	100	100	100	100

1. Data for the Netherlands are for 2004.
2. For the calculation of the averages, employment in state government was considered to be 0 for the unitary countries. The number in parentheses is the true average of the federal countries (in this case, only Spain).

Source: OECD Public Finance and Employment Database (PFED).

More information about the distribution of employment over public organisations is available from the snapshots of the public service provided by participating countries. Snapshots have been submitted by 7 of the 13 countries participating in the Value for Money project. The snapshots only contain information about administrative employment, not service delivery. Administrative employment excludes: the military, the police, staff of penitentiary institutions, other collective service delivery (for instance, units for construction or management of transport infrastructure), all non-profit institutions classified inside central government in the national accounts, all educational institutions, health providers, and other institutions involved in individual service delivery (cultural services, social services, etc.).⁴ The snapshots make it possible to distinguish between employment in core

ministries, in arm's-length agencies and in independent agencies. An agency is defined as a unit of a ministry with a separate financial administration. An arm's-length agency is defined as an agency for which the minister is responsible as far as executive policy is concerned (not necessarily for handling individual cases). An independent agency is an agency for which the minister is not responsible as far as policy execution is concerned (neither for handling individual cases nor for executive policy). Table 2.3 shows the distribution of central government employment among these three kinds of organisations. The difference between the totals of administrative employment as shown in Table 2.3 and the totals of central government employment excluding health and education shown in Table 2.2 are due to service delivery employment (including service delivery in education and health).⁵

In spite of the arm's-length agency reform of the 1990s, it turns out that the Netherlands still has relatively large employment in the core ministries compared to all other countries. However, this picture is strongly affected by the fact that the Tax Service is still part of a core ministry. If the Tax Service were to be transformed into an arm's-length agency, the share of core ministries in Dutch central government employment would fall to 20.8% (still larger than in the Nordic countries, but substantially lower than in Australia, Austria and Spain) and the share of arm's-length agencies would rise to 42%.

Table 2.3. Central government administrative employment by type of organisation

Per cent of total administrative central government employment in full-time equivalents (2009)

	Australia	Austria	Denmark	Finland	Netherlands	Norway	Spain	Average
Core ministries	42.0	29.7	6.2	10.4	43.2	8.7	36.1	25.2
Arm's-length agencies	58.0	47.3	80.5	80.8	21.7	86.8	63.3	62.6
Independent agencies	0	23.0	13.3	8.7	35.1	4.5	0.6	12.2
Total	100	100	100	100	100	100	100	100

Source: Country responses to the questionnaire of January 2010 (see note 2 in Chapter 1).

The snapshots also allow comparisons of the division of employment over the four activities of government (policy development, administrative policy execution, supervisory/regulatory activities and support services). Table 2.4 shows the resulting picture. It should be emphasised that, in spite of detailed guidelines, countries reported difficulties in completing the

snapshots and particularly in the distribution of employment over the four activities of government.

Although the data in Table 2.4 must be taken with a grain of salt, it appears that the Netherlands has relatively small employment in the area of policy development, similar to the Nordic countries. Supervisory/regulatory activities and support service units also seem to be very moderate in size. It should be said, though, that the quality of the Danish snapshot seems to be the best of all countries (in the sense that employment has been split out at a very low level in the organisation) and, in comparison to Denmark, the Netherlands has relatively high levels of policy development, supervisory/regulatory activities and support services.

Table 2.4. Central government administrative employment by type of activity

Per cent of total central government in full-time equivalents (2009)

	Australia	Austria	Canada	Denmark	Finland	Netherlands	Norway	Spain	Average*
Policy development	18.5	15.0	n.a.	5.1	8.5	8.2	9.0	18.9	10.4 (11.9)
Administrative policy execution	31.5	48.7	n.a.	88.9	68.5	78.7	57.4	70.5	55.5 (63.5)
Regulatory/supervisory activities	17.0	13.8	9.1	4.9	7.0	6.0	27.5	0.5	10.7
Support services	33.0	22.5	18.3	1.1	16.1	7.0	6.1	10.0	14.3
Total	100	100	100	100	100	100	100	100	100

* Averages are calculated using 0 for unavailable data. The number in parentheses is the true average for the countries for which data are available.

Source: Country responses to the questionnaire of January 2010 (see note 2 in Chapter 1).

Countries also provided information on support service employment by kind of support service. The resulting picture is provided in Table 2.5.

Table 2.5. Central government employment in support services
 Absolute and per cent of total central government support services in full-time equivalents (2009)

	Australia		Austria		Canada		Denmark		Finland		Netherlands ¹		Norway		Spain		Average ² (%)
	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	
Finance	7 706	22.5	1 082	16.5	4 700	9.4	350	48.5	1 720	20.1	993.0	12.0	364	12.2	4 402	16.8	19.8
HR and organisation	5 071	14.8	1 118	17.1	9 800	19.5	111	15.4	1 810	21.2	2 738.8	33.2	75	2.5	4 013	15.3	17.4
Information and ICT	10 674	31.1	1 834	28.0	19 700	39.2	171	23.7	2 080	24.3	1 190.8	14.4	1 264	42.4	6 384	24.3	28.5
Internal audit	n.a.	n.a.	142	2.2	700	1.4	n.a.	n.a.	60	0.7	853.6	10.3	n.a.	n.a.	n.a.	n.a.	18 (3.7)
Procurement	n.a.	n.a.	204	3.1	3 200	6.4	n.a.	n.a.	280	3.3	0.0	0.0	58	1.9	n.a.	n.a.	18 (2.9)
Communication	n.a.	n.a.	261	4.0	3 600	7.2	n.a.	n.a.	1 000	11.7	965.6	11.7	225	7.6	n.a.	n.a.	5.3 (8.4)
Accommodation, real estate and facilities	n.a.	n.a.	1 900	29.0	8 000	15.9	90	12.5	1 600	18.7	1 508.1	18.3	992	33.3	11 425	43.6	21.4 (24.5)
Other corporate	10 850	31.6	n.a.	n.a.	500	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1 (16.3)
Total	34 301	100	6 541	100	50 200	100	722	100	8 550	100	8 250	100	2 978	100	26 224	100	100

1. Data for the Netherlands are for 2006.

2. Averages are calculated using 0 for unavailable data. The number in parentheses is the true average for the countries for which data are available.

Source: Country responses to the questionnaire of January 2010 (see note 2 in Chapter 1).

Table 2.5 must also be taken with a grain of salt, in view of lacking data and sometimes poor quality data, but nevertheless it is interesting to note that the Netherlands spends a relatively large amount on the support services of human resources and organisation, internal audit (three times the average) and communication, and relatively little on the support services of finance, information and ICT (half of the average), and accommodation, real estate and facilities.

General government expenditures

Obviously, employment is not the only indicator of the size of government. Expenditures are equally important. Expenditures include all operational expenditure (including compensation of employment) as well as all programme expenditure (social benefits, transfers to subnational government, public contributions and subsidies to the corporate sector, and most investment). Table 2.6 presents general government expenditures per sub-sector and for general government as a whole, as a percentage of general government expenditure. Note that the sum of the sub-sectors exceeds general government expenditure as a consequence of transfers between sub-sectors.

Table 2.6. **General government expenditures by level of government**

Per cent of general government expenditure (2007)

	Austria	Denmark	Finland	France	Ireland	Netherlands	New Zealand	Norway	Spain	Sweden	United Kingdom	Average
Central government	88.0	75.8	80.8	87.9	91.4	95.2	89.3	79.2	67.7	65.3	91.5	82.9
State government	17.8								38.0			5.1* (27.9)
Local government	15.3	63.1	40.7	21.5	19.7	34.1	10.7	32.5	16.9	46.6	29.1	30.0
General government	100	100	100	100	100	100	100	100	100	100	100	100

* There are two federal countries (Austria and Spain). For the calculation of the averages, employment in state government was considered to be 0 for the other countries. The true average for the federal countries is provided in parentheses.

Source: *OECD Public Finance and Employment Database (PFED)*.

It turns out that, by expenditures, the Netherlands is less centralised than the average (34.1% local government expenditures versus 30.0% average). It is true that the rate of central spending is very high (95.2%) but this includes all transfers to the provinces and the municipalities (which are counted again as subnational spending). Using this measure, Austria, France, New Zealand, Spain and the United Kingdom are more centralised and the Nordic countries are more decentralised. This confirms the picture that the Netherlands is in the intermediate range and, by expenditures, closer to the decentralised Nordic countries than to the centralised large European countries such as France, Spain and the United Kingdom.

Patterns of central government spending vary considerably between the countries participating in the Value for Money study. This is mostly due to different policies concerning privatisation and decentralisation. Some countries leave more tasks to the market sector of the economy than others. Similarly, some countries decentralise more tasks to local and/or state government. In federal states, the tasks of state government are often determined by the federal constitution. Table 2.7 provides an overview of spending patterns over policy areas in the central government of the countries participating in the Value for Money study.

The Netherlands spends above average on general governance services (Tax Service, Foreign Service, High Colleges of State, etc.), basic research, public order and safety, service regulation, interest, health, education and social services (almost twice the average percentage). In terms of kinds of spending, the Netherlands spends less than average on collective goods and more than average on individual goods, particularly on individual services in kind (not so much on social cash benefits).

Patterns of spending have an impact on government employment, mostly via two channels. The first is the rate of outsourcing, which reduces government employment. The second is the labour intensity of outputs. A higher priority for labour-intensive outputs leads to higher government employment. An analysis of both transmission channels between expenditure patterns and employment can be found in *Value for Money in Government: Public Administration after "New Public Management"* (OECD, 2010a). It turns out that, in the Netherlands, the rate of outsourcing (the share of intermediate consumption in total expenditure) is about average. However, the Netherlands spends relatively a lot on labour-intensive policy areas such as general governance services (which includes the Tax Service, the Foreign Service and High Colleges of State), public order and safety (which includes the police and the penitentiary institutions) and service regulation (which includes most policy development in the areas of social services, health, education, market subsidies and culture).

Table 2.7. **Central government expenditures by policy area**

Per cent of central government expenditure (2007)

	AUT	DNK	FIN	FRA	IRL	NLD ¹	NOR	ESP	SWE	GBR	Avg ²
General governance services	1.6	n.a.	2.3	0.0	0.1	4.6	2.6	1.5	3.4	1.8	1.8 (2.0)
Basic research	0.7	n.a.	1.2	0.0	n.a.	1.8	0.3	0.8	2.0	0.0	0.7 (0.8)
Defence	2.0	n.a.	n.a.	3.9	1.5	3.3	5.0	3.9	4.6	5.9	3.0 (3.7)
Public order and safety	2.9	n.a.	2.6	2.0	3.8	3.8	2.4	4.0	3.3	4.5	2.9 (3.3)
Infrastructure and network services	3.6	n.a.	n.a.	n.a.	n.a.	3.7	4.8	5.0	5.4	3.8	2.6 (4.4)
Environmental, development and community services	1.4	n.a.	n.a.	n.a.	n.a.	0.6	0.4	0.4	0.4	2.4	0.6 (0.9)
Service regulation	2.6	n.a.	n.a.	n.a.	n.a.	3.3	2.0	1.4	2.8	1.2	1.3 (2.2)
Total collective services in kind	14.9	n.a.	n.a.	n.a.	n.a.	21.1	17.4	17.0	22.0	19.5	11.2 (18.7)
Foreign economic aid	0.1	2.6	0.8	n.a.	n.a.	1.6	2.5	0.7	2.1	0.6	1.1 (1.4)
General purpose and block grants	3.8	n.a.	4.9	0.6	0.0	7.0	9.6	28.2	10.9	8.5	7.3 (8.2)
Interest	6.4	n.a.	3.6	0.0	0.0	4.4	2.5	5.0	4.5	5.4	3.2 (3.5)
Total cash transfers	10.3	n.a.	9.2	0.6	0.0	13.1	14.7	33.8	17.5	14.5	11.4 (12.6)
Total collective services and transfers	25.2	n.a.	n.a.	n.a.	n.a.	34.2	32.1	50.8	39.6	34.1	21.6 (36.0)
Health	13.6	n.a.	6.9	16.6	n.a.	12.4	16.2	1.5	3.8	17.9	8.9 (11.1)
Non-market recreation, culture and religion	1.0	n.a.	n.a.	n.a.	n.a.	0.6	1.0	1.2	0.8	1.4	0.6 (1.0)
Education	7.8	n.a.	n.a.	n.a.	13.7	10.0	5.7	0.6	5.3	12.3	5.6 (7.9)
Social services	12.0	n.a.	11.6	6.7	1.4	11.3	6.1	1.2	6.4	5.6	6.2 (6.9)
Market subsidies	2.6	n.a.	2.9	1.2	1.7	1.5	3.8	2.2	2.2	1.0	1.9 (2.1)
Total individual services in kind	36.9	n.a.	n.a.	n.a.	n.a.	35.8	32.9	6.7	18.6	38.1	16.9 (28.2)
Social cash transfers	37.9	n.a.	37.5	38.3	28.3	30.0	35.0	42.4	41.8	27.8	31.9 (35.5)
Total individual services and transfers	74.8	n.a.	n.a.	n.a.	n.a.	65.8	67.9	49.2	60.4	65.9	38.4 (64.0)
Total central government	100	100	100	100	100	100	100	100	100	100	100

1. Data from the Netherlands are for 2006.

2. Averages are calculated using 0 for unavailable data. The number in parentheses is the true average for the countries for which data are available.

Source: *OECD Public Finance and Employment Database (PFED)*.

General government revenues

An important feature of local government in the Netherlands is its small tax base and own tax revenue. Almost 90% of local government revenue comes from central government transfers, about equally divided over earmarked transfers and general purpose and block grants. Table 2.8 gives an overview of own tax revenue as a share of total revenue in the sub-sectors of general government.

As appears from Table 2.8, the own tax share in total revenue of local government is the lowest in the Netherlands (11%). Other countries with low local tax revenue are Ireland and the United Kingdom. All other countries have local tax shares above 30%. Apart from transfers, the non-tax revenues are sales, fees, property income and subsidies.

Table 2.8. Own tax revenue as share of total revenue by sub-sector of general government

Per cent of total revenue (2008)

	Austria	Canada	Denmark	Finland	France	Ireland	Netherlands	New Zealand*	Norway	Spain	Sweden	United Kingdom	Average
Central government	83.8	91.2	85.3	75.1	92.6	93.2	84.9	84.6	72.2	91.7	85.2	94.8	86.2
State government	42.8	58.0								52.3			12.8 (51.1)
Local government	66.0	39.5	37.5	47.0	45.8	13.5	10.7	53.4	41.8	49.5	66.9	14.9	40.5

* Data for New Zealand are for 2007.

Source: *OECD Public Finance and Employment Database (PFED)*.

Notes

1. An extensive analysis of the size of Dutch public employment was provided in OECD, 2010a.
2. These institutions are supposed to be controlled by government and hence attributed to the government sector in the national accounts.
3. Countries outside the EU can opt to merge the social security sector with the central government in the national accounts (SNA83; see United Nations *et al.*, 1993). According to the ESA95 (Eurostat, 1996), EU countries are required to present separate accounts for social security. In order to secure comparability between countries, the social security sector has been merged with the central government in this chapter for all countries (including EU countries).
4. Administrative employment also excludes the parliament and its staff, the head of state and her/his staff, the supreme audit institution and its staff, and the judicial branch and its staff (public prosecutors and their staff are not part of the judicial branch and are thus included in the snapshots).
5. In addition, the differences are due to some administrative employment in health and education that are also excluded from Table 2.2.



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