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The Netherlands

The Dutch Government's Benefits Scandal Is Rooted in Stigma Against Welfare Recipients

- IV Online magazine - 2021 - IV552 - January 2021 -
Publication date: Sunday 24 January 2021

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Last Friday, the Dutch government had to resign in scandal, after thousands of parents were wrongly accused of making fraudulent childcare benefit claims. The affair was driven by racist demonization of welfare recipients deeply rooted in the country's politics.

At least 26,000 families on the verge of bankruptcy, in more debt than they could repay in their entire lives. Countless people losing their homes, jobs, or partners. And one parent committing suicide after they were ordered to repay tens of thousands of euros. These were the effects of an extremely strict anti-fraud policy carried out by the Dutch tax administration for years — sparking a scandal over which the government led by Mark Rutte resigned last Friday.

The scandal was gradually uncovered by investigative journalists from early 2019 onward, and it revolves around fraud investigations into recipients of childcare allowances. In the Netherlands, parents who both work, as well as single parents, are eligible for a state contribution toward the costs of day care. For those with low incomes, this can add up to 90 percent of the actual costs. These contributions are often directly transferred to childcare providers, but parents are responsible for them — and have to pay back thousands of euros per year if the tax administration decides the allowance was wrongfully paid out.

That is what thousands of low-income families were forced to deal with: the tax administration wrongfully reclaimed their benefits retroactively, often from multiple years, thus pushing them deep into debt and triggering endless personal problems. Sometimes this was due to minor errors: a missing signature or one missing 200-euro payment would be considered fraud, and would lead to parents having to pay back the entire amount of benefits received for the entire year.

In other cases, unjustified fraud investigations into childcare providers led to all parents who happened to use these daycare centers being considered fraudsters. Other families were singled out by automated “risk selection” systems to then be wrongfully hunted down, forced to pay back large amounts and denied any future applications. Appeals were systematically delayed or ignored altogether. Internal documents show that those responsible were aware that innocent people would be targeted but considered this collateral damage.

Institutional racism was a systemic part of these practices. The large majority of people affected were of bicultural origin. Investigations were initiated based on criteria such as double nationality or even a foreign-sounding last name; practices repeatedly condemned by the Data Protection Authority. In one instance, all benefit recipients of Ghanaian origin were systematically vetted. In email correspondence, civil servants referred to minority groups as “zwartjes” (“darkies”). This aspect of the affair remains grossly underinvestigated.

Political Consequences

Following media revelations on the fallout of this fraud policy, a parliamentary investigation committee was formed. It presented its report, titled “Unprecedented injustice,” in December. It concluded that the tax administration “grossly violated rule-of-law principles” and that affected parents “didn’t stand a chance for years.” It further concluded that the responsible cabinet members had been long aware of the issues; and that pleas from whistleblowers to quickly help parents with their ever-growing debt problems were repeatedly ignored.

Renske Leijten, a Socialist (SP) member of the committee who played a key role in putting the affair on the agenda,

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recognized the role class difference played in the lack of attention for the predicament these families were in. She explained in an interview with newspaper Trouw that:

After weeks of deliberation on the committee's conclusions, the entire Dutch cabinet — formed by four center-right parties, the largest of which is Prime Minister Rutte's free-market VVD — formally resigned last Friday. They will continue to govern in a caretaker capacity until a new government is formed after March's national elections, and the prime minister will remain his party's figurehead in the upcoming election campaign. One responsible cabinet member, Eric Wiebes, resigned immediately; Lodewijk Asscher, the responsible minister at the time and current party leader of the social democrats (PvdA), has withdrawn from the elections.

The scandal has sent shock waves through the Dutch political landscape and initiated a range of measures to prevent something like this happening again: a reform of the childcare benefits system, anti-discrimination training for tax administration employees, more transparency on how the government arrives at decisions, and at least 30,000 euros compensation per affected family. Debate on further measures continues in parliament this week.

The Social-Liberal Consensus

However, this affair is just a magnified example of what has gradually become part of the social-liberal consensus in Dutch politics: access to government support should be limited as much as possible, and people that receive any kind of benefits are not to be trusted. Only last month, a woman on welfare was ordered to pay back 7,000 euros because her mother occasionally shopped for groceries for her; the law left no option for the court to decide on a lower fine. In many municipalities, it is standing practice to stake out homes and count someone's toothbrushes to establish if they're really living alone and entitled to the benefits they receive.

Discovered benefit fraud in the Netherlands amounts to approximately 120 to 150 million euros per year. In contrast, the lost tax revenue from VAT fraud is estimated at 4 billion euros, and total estimated tax evasion is around 22 billion euros. Of these, benefit fraud gets completely excessive attention in media and politics, which contributes to disproportionate outrage among the public: over half of the population believes the most important task of the ministry of social affairs should be to curb benefits abuse. This dynamic makes politicians across the spectrum feel the need to appear tough: the day care allowance fraud policy spiraled out of control under a social-democratic minister, and a 2013 law mandating automatic high fines for any mistake benefit recipients make — regardless of whether there was malicious intent — was even supported by the Greens (GroenLinks).

Ideologically motivated budget cuts in the past two decades have further reinforced the idea that government support — whether it's unemployment benefits or rent support — is a favor, not a right. Discourse on people receiving benefits is riddled with phrases like "having to give back to society" and "stimulating them to work," as if people enjoy being unemployed. Access to amenities like social housing is limited to an ever-smaller group, to erode public support for them and make future cuts easier. And mainstream politicians readily amplify racist sentiments about citizens with a migrant background depending on or defrauding government support programs.

These were the circumstances that made the childcare allowance scandal possible. If benefit recipients are considered profiteers, treating them all as potential fraudsters becomes legitimate. If politicians incessantly call for a tougher approach to fraud, innocent citizens losing their homes because of a wrongful fraud investigation becomes collateral damage. And if a government doesn't consider racism within its institutions — examples of which abound — a real problem, citizens will continue to be wrongfully singled out based on their last name.

March's Vote

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The collapse of the Dutch government occurs against the backdrop of an unprecedented pandemic that resulted in unparalleled government injections into the economy. One of the effects of the crisis was that the number of people on government benefits increased sharply: about 150,000 people became unemployed, and as many as one-third of all the employed were indirectly supported by government subsidies to prevent layoffs.

However, so far, this doesn't seem to have had a significant effect on attitudes toward those who depend on government support. The support for left-wing versus right-wing parties in polls has been stable. A report by the Netherlands Institute for Social Research suggests that a long-term effect could be seen among young adults: growing up in a crisis like the present one tends to lead to people being more in favor of redistribution and government intervention later in life. But the report concludes that if the pandemic has any effect on economic solidarity among the population at large, it is likely to be temporary.

For now, opinion polls indicate that the current largest party, the right-wing VVD, will remain the largest after the March 17 elections. The VVD has been in government for ten years — in different constellations, governing with the social-democratic PvdA one time and the extreme-right PVV the other — but all the scandals these respective governments have faced have never stuck to this party, or to its leader and prime minister, Rutte. Indeed, only 6 percent of VVD voters think that Rutte should withdraw as the party's political leader because of the childcare scandal. General support for him has only increased since the start of the pandemic.

Among both center-left and center-right voters, there is anger and dissatisfaction about the scandal. But the Left parties may be in too weak a position to keep the issue on the agenda in the run-up to the elections; let alone posit a credible, solidary alternative to the doctrine that resulted in the near-bankruptcy of at least 26,000 families. The social-democratic PvdA eternally oscillates between crafting neoliberal policy when in government and rediscovering their ideals when in opposition, and the party bears a large share of the responsibility for this affair. The Socialist Party (SP), on the other hand, persists in a course of cultural conservatism that alienates both activists and potential voters.

If the elections aren't postponed because of the pandemic, debate on many issues is likely to be drowned out by discussion on how to combat coronavirus. Parties may also use this strategically: the government sparking a public debate on the need for a curfew last week, just days before resigning, may well have been a move to deflect attention from the childcare allowance scandal. It therefore remains to be seen if the affair will play a significant role in the election campaign. And regardless of what government is formed after the elections, mistrust of benefit recipients and institutional racism are likely to remain deeply entrenched in government and in Dutch political culture for some time.

23 January 2021

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