



The Netherlands Institute
for Social Research

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Contemporary inequality: four types of resources

The Dutch policy debate has recently focused a great deal of attention on purchasing power problems and poverty. This is quite understandable in light of the high inflation in 2022 (due to skyrocketing energy prices, among other factors). Contemporary inequality does not just consist of income shortfalls, however. In the long-running 'Disparities in the Netherlands' project (known by the Dutch acronym 'ViN'), the Netherlands Institute for Social Research (SCP) conducts research into structural inequality. In addition to disparities in income, this also reflects the distribution of other economic resources (including financial wealth, education levels and labour market positions). Recent scientific literature further indicates that disparities in such economic capital are intertwined with inequality in other resources: 'who you know' (social capital), 'where you fit in' (cultural capital) and 'who you are' (person capital: health and attractiveness). These structural disparities in resources have been identified by combining the results of a recent survey with administrative data from Statistics Netherlands (CBS). Table ES.1 presents an overview of the attributes and categorisations used, along with the changes compared to a previous measurement in 2014.

Table ES.1 Indicators per capital type: measurement method in ViN'19/'20

capital type and indicators ^a	categories ^b
economic capital	
educational attainment	no more than primary education; lower secondary education (lbo/mavo/less than 2 years of mbo); higher secondary education (havo/vwo/mbo); higher education (hbo/university)*
socio-economic position [†]	non-working; unemployed jobseeker; (pre-)pension; student; employed with temporary contract; self-employed without employees; employed with permanent contract; self-employed with employees
standardised disposable household income	deciles 1; 2-3; 4-5; 6-9; 90th-99th percentile; 100th percentile
liquid household assets [†]	negative; €0-5,000; €5,000-50,000; €50,000-500,000; > €500,000, 1st half; > €500,000, 2nd half (€958,466 or more)
home equity [†]	negative; tenant with rent allowance; tenant without rent allowance; positive, first tercile; second tercile; third tercile (surplus equity of €284,274 or more)
cultural capital	
lifestyle	scale: holidays abroad; dining at expensive restaurants; frequency of visits to classical concerts, theatre productions or museums; music preferences*; buying sustainable food* (in 7 categories)
basic digital skills	scale: ability to install software; arrange security on PC; use a word processing program (in 4 categories)
mastery of English	none; limited; fair; good; native language
first name group*	Arabic or Turkish; traditional or Latinised Dutch; unknown; pre-modern Dutch and similar names; modern Dutch, elite names etc.c
social capital	
social support network (strong ties)	scale: frequency of contact with family, friends, neighbours (in 6 categories)
size of core discussion network	number of people with whom personal matters are discussed [excl. co-residents/housemates and care providers] (0-5)
professional network	number of people known who have an influential profession (0-5)
help with money, work and public authorities*	scale: ability of network to help with money, finding work, medical advice, government schemes (in 6 categories)
informal help*	scale: ability of network to help with shopping, odd jobs, temporary address, conflicts (in 5 categories)

Table ES.1 Indicators per capital type: measurement method in ViN'19/20 (continued)

capital type and indicators ^a	categories ^b
person capital	
physical capital	scale: self-reported health; difficulty climbing stairs; long-term limitations in activities of daily living* (in 6 categories)
mental capital	scale: self-confidence; negative self-image; suffering from depression (in 6 categories)
aesthetic capital	scale: self-rated appearance; perceived rating of appearance by others (in 7 categories)
body mass index (BMI)	severely overweight; overweight; underweight; healthy weight

* New (sub-)indicator compared to 2014.

‡ More detailed classification compared to 2014.

* lbo = junior secondary vocational education; mavo = lower general secondary education; mbo = senior secondary vocational education; havo = senior general secondary education; vwo = pre-university education; hbo = higher professional education.

a Income, assets and first name group are derived from administrative data; the other attributes are derived from the survey. Disposable household income is standardised using the CBS equivalence factor.

b All indicators have a value of 0 for the first category and 1 for the last. The other categories lie between these minimum and maximum values, at equal intervals from one another. Scales and capital scores are calculated by adding up 0/1 variables and normalising once again.

c Pre-modern Dutch and similar names: includes mixed or Nordic, English, French, Frisian and modern first names; modern Dutch, elite names etc.: includes Hebrew and a small number of Italian and Spanish first names.

Source: ViN'19/20

There is a class structure in the Netherlands

Contemporary inequality encompasses more than just disparities between the elite, white-collar workers and manual labourers in agriculture and industry, for example. Various combinations of resource disparities are reflected in seven social classes in Dutch society (see Figure ES.1). Together, these form a social hierarchy from high to low capital:¹

- 1 The *working upper echelon* (19.9% of the adult population) is active on the labour market and includes the largest share of self-employed individuals. This group has much of each of the four types of capital.
- 2 *Privileged younger people* (8.6%) are highly educated and also have many resources in other respects but can still grow their income, liquid assets and home ownership.
- 3 The majority of people who belong to the *leisured upper echelon* (12.2%) are retired. Their average liquid assets are by far the highest, as is their surplus home equity value. They also tend to have a good income and are often highly educated. Due to their advanced age, however, their health and social networks are under strain.
- 4 The large *employed middle echelon* (24.9%) occupies a middle position in virtually all forms of capital and can therefore be characterised as a middle class.
- 5 *Low-education pensioners* (18.1%) are no longer active on the labour market for the most part. They typically have not attained the intermediate education level that vocationally trained professionals need today (MBO 2 or higher). However, low-education pensioners do have quite a lot of financial wealth – mainly home equity – and a decent income. By contrast, they possess little cultural capital: they have an austere lifestyle, limited digital skills and poor mastery of English. They are often physically unhealthy, and their social networks outside the circle of family, friends and neighbours are limited.
- 6 The social position of *insecure workers* (10.0%) is precarious in two respects. First, they have difficulty integrating into the labour market: this group includes a relatively large number of people who are unemployed, employed without a permanent contract or self-employed. This social class also has the least mental capital: these individuals have recently had periods in which they experience depression, have low self-confidence and have a negative self-image. The resources of insecure workers are lagging in several other areas as well: many among them earn low incomes, have debt and are tenants. Insecure workers have relatively poor physical health, limited social networks and an austere lifestyle.
- 7 The *precariat* (6.3%) occupies the lowest position with respect to all four types of capital. Four out of ten are retired. An equally large group does not perform paid work and is not seeking such work either (e.g. because of disability).

The social classes also differ in their composition in terms of age, gender and migration background. They have different profiles with respect to voting intentions as well (see Figure ES.1).

Figure ES.1 Seven social classes and their profiles^a



a Description of the Dutch political parties mentioned under the subheading 'Over-representation of': VVD = Conservative Liberals, D66 = Social Liberals, Groen Links = Green-Left, CDA = Christian Democrats, PvdA = Labour Party, 50+ = Elderly Party, PVV = Freedom Party, SP = Socialist Party; DENK = Minority Rights Party.

Structural inequality is substantial and persistent

The disparities in resources among the seven capital groups are substantial. There is a large gap between the total capital of the working upper echelon and the precariat, and there is also a wide spread among the other social classes. If the total capital does not differ much between two social classes, then the four sub-types have a different score profile, as shown in Figure ES.1. The disparities in total resources and their composition mean that the seven social classes have widely varying social positions and life opportunities.

There are also indications that this structural inequality is persistent. An earlier SCP study showed that the Dutch class structure remained largely unchanged between 2014 and 2019/2020, despite social developments (e.g. economic prosperity, retirement among baby boomers, new influxes of refugees) and policy efforts aimed at tackling inequality during that period. Furthermore, in the present study, we have expanded the measurement of the capital types in many respects (see Table ES.1). Despite this, we still do not see a completely different class structure, which is a second indication of its persistence.

The class structure is associated with disparities in well-being, perceived cohesion and legitimacy

The seven social classes differ in their level of well-being (see Figure ES.1). Insecure workers and the precariat are much less satisfied with their lives than the other classes. They also view their position as disadvantaged: in accordance with their limited resources, insecure workers and the precariat generally place themselves much lower on the social ladder than the other classes.

In addition, there are clear disparities between the capital groups with respect to the cohesion they experience. Members of the working upper echelon and privileged younger people rarely think that the Netherlands 'is clearly moving in the wrong direction'. This sentiment is slightly more common among the leisured upper echelon and the employed middle echelon, while it is shared by 20-34% of low-education pensioners, insecure workers and the precariat – not a majority, but a substantial group nonetheless. There are also indications of class-related legitimacy problems. Among insecure workers and the precariat, there are a relatively high number of non-voters; and if people intend to vote, they often choose parties at the fringes of the political spectrum. The same two capital groups, plus low-education pensioners, have significantly less trust in the Dutch House of Representatives. Although they are quite often dependent on the government for their healthcare and other assistance, over half of those in the three social classes at the bottom of society feel that the government does not do enough for people like them (compared to no more than 25% among the social classes at the top). Nearly two-thirds believe that people like them have no influence on what the government does (compared to one-third among the top two social classes). This is a pressing concern, as it is precisely these social classes that are likely to depend on the government for healthcare and benefits.

Box ES.1 Has anything changed?

The data used for this report were collected from late 2019 to early 2020, i.e. at the start of the COVID-19 pandemic and prior to Russia's invasion of Ukraine (which resulted in an energy crisis and high inflation). Both events could have an impact on the class structure. However, this is unlikely for several reasons. Whereas structural changes take place over a long period, for example, the COVID-19 pandemic was relatively short. There could be consequences if high inflation persists for a long time, but the effects on income and wealth seem limited for now and are being cushioned by policy. Examples include substantial government support during the pandemic and, more recently, measures to reduce the impact of the energy crisis and other rising costs of living, although these efforts have not solved the poverty problem in the Netherlands. Furthermore, a comparison between 2014 and 2019/2020 reveals only limited changes in class disparities, despite developments that also occurred during that period (including strong economic growth). The existing disparities may have been exacerbated, however, since it is easier for people with more resources to replenish them than it is for people with fewer resources. In addition, an increasing number of people are concerned about the Dutch economy and their personal finances.

Attitudes in the Netherlands have changed since 2020: a majority are now pessimistic about the future of the country, and trust in politics has been low for quite some time. There are major disparities between the social classes in this regard as well. However, as the recent decline has occurred among many groups, it is unlikely to have a significant effect on the differences between social classes with respect to views on life, society and politics as presented in this report.

Motives for addressing structural inequality through policy

Structural inequality can theoretically require attention in policy for four reasons.

- 1 It can, in itself, *adversely affect the nature of society*. This occurs when there is a class structure with large and persistent disparities in social positions.
- 2 It can be based on *causes that are difficult to justify*. Examples include inequality of opportunity; the favouring or disadvantaging of certain groups through services, taxes and withholdings or informal expectations; discrimination by other citizens, authorities or employers; intergenerational transfers that give certain groups a decisive advantage; and accumulations of bad luck or good fortune.
- 3 It can lead to *unwanted effects on society*. This can occur when the structural disparities in resources lead to significant class differences in well-being, political trust, a lack of social cohesion or reduced legitimacy of government policy.
- 4 The abovementioned aspects can *remain problematic or become more urgent in the future*. This is due to factors such as the continuing ageing of the population, migration that results in a more diverse composition of the population, and the ongoing digitalisation of the economy and broader society.

It is plausible that all these conditions are met in the Netherlands in practice. This makes structural inequality an urgent social issue that should not be underestimated and should be addressed through policy. We have therefore identified six possible courses of action. Based on our analysis of the class disparities in resources, three of these options are less promising, while the other three offer better prospects.

Less promising courses of action

- 1 Tackling structural inequality through a purely *economic approach* is unlikely to provide enough relief. Resource disparities do not automatically disappear when we pull the obvious ‘levers’ of economic capital: promoting equal opportunities in education, reducing discrepancies on the labour market, combating excessive income and wealth gaps. For some groups, such as the ‘cannots’ of society, the possibilities to catch up are limited. Due to the interconnectedness of resources, a decrease in economic disparities also does not automatically translate into a more balanced distribution of opportunities and positions. Whether one fits in, who one knows and who one is (cultural, social and person capital) can in that case still make a difference. Finally, future developments may cause non-economic resources to become more important for people’s social position. This includes the way in which the class structure has been impacted by the growing importance of digital and 21st-century skills, and the further ‘aestheticisation of society’. Physical characteristics and self-presentation are becoming crucial to accessing and completing a promising education, securing a well-paid and enjoyable job, finding a life partner who has a lot of resources and so on.

This is not to say that economic resources are unimportant, but a one-dimensional, purely ‘economic’ approach to tackling contemporary inequality is unlikely to solve this complex social issue. Policy should therefore also devote attention to disparities in terms of cultural and social resources, as well as health and attractiveness.

- 2 An approach that focuses on *traditional target groups* is also unlikely to properly address the complexity of contemporary inequality. This is because policy categories such as young people, the elderly, migrants and women cannot be accurately attributed to one specific social class. If we focus on such target groups, we ignore the fact that many young people can be found among both the insecure workers and privileged younger people, for example. Elderly people often belong to the precariat and low-education pensioners, but are also found among the leisured upper echelon who have many more resources at their disposal. People with a migration background are over-represented in the classes with few resources, but this is not true for everyone: their share among privileged younger people is significant as well. Women are relatively common in the three classes with the least capital, but they are not disadvantaged with respect to all types of resources. In the youngest cohorts, they attain a higher level of education on average than men. An intersectional approach therefore holds the potential to be more productive than a traditional approach based on target groups.

3 Only having people *invest in their resources* themselves is not expected to resolve or reduce structural class differences either. People can try to achieve this by pursuing retraining and refresher training, looking for a different job and investing their money; engaging in activities that expand their cultural resources or increase or enrich the resources in their networks; and adopting a healthy lifestyle and focusing on their appearance. However, there are some potential drawbacks to a policy strategy that places the responsibility for such investments solely on people themselves. First and foremost, it puts structural inequality at risk of being reduced to an individual problem. Furthermore, not everyone is able to make these investments. People may not have financial start-up capital or may be unable to invest because they are in 'survival mode' as a result of debt. It is also difficult for people to invest in non-financial resources if they are not familiar with cultural codes, feel uncomfortable in certain circles, are unable to change unhealthy routines or are not allowed to dress in an attractive manner within their group. In addition, a shortage of a particular resource (e.g. poor health or little money) can make it more difficult to invest in other resources (e.g. acquiring skills through training or finding a better job).

On the other hand, if someone has a lot of a particular resource (e.g. excellent health or vast financial wealth), it is actually easier to invest in other types of capital. Because the first scenario is generally more common among the social classes at the bottom and the second scenario among those at the top, a strategy that focuses on individual responsibility for investing in resources can ultimately increase class differences. Finally, not everyone who is able to invest will want to do so, and a policy focused on self-responsibility may lead to more resource competition and group rivalry, which could have detrimental effects on social cohesion. In practice, we see that social classes tend to invest more in the four types of resources if they have many resources and are younger. Placing the responsibility for such investments solely with individual citizens could therefore have the opposite effect.

Promising courses of action

1 A more promising option is a course of action in which the government *supplements shortages of resources* within specific social classes. Because the resource shortages differ among the social classes, a one-size-fits-all approach is not possible here. This strategy can be particularly effective in the classes with the least capital: low-education pensioners, insecure workers and the precariat. Among low-education pensioners, policy could primarily focus on physical health, digital skills and mastery of the English language. With regard to insecure workers, attention should be devoted to both physical and mental health, as well as to their income, wealth and labour market position. The precariat is lagging behind in all areas. It is important to realise that finding a job and pursuing further training is often not (or no longer) possible for this group. Over half of the precariat are 65 or older, and the younger people in this class often have health problems and long-term dependency on public benefits. For this social class, it could be more effective to maintain their income (e.g. among the group with a reduced state pension) and ensure that they use the allowances and services to which they are entitled (minimising non-take-up). Focusing on other resources, especially social and person capital, could be helpful as well. Options include policy aimed at combating loneliness, building support networks and alleviating the physical and mental issues this group struggles with.

This course of action implies a 'levelling up' strategy in terms of resources. It should be noted here that, while this strategy may reduce the disparities between the social classes, it probably will not eliminate them completely. For example, some people's parents have or had financial wealth, extensive networks and high cultural capital they can rely on, while others do not or did not. Such disparities are difficult to rectify retroactively. Furthermore, levelling up will often be easier for young people than for older people, since the latter group has largely already completed the process of capital accumulation or loss. Finally, this policy strategy ignores the 'systemic' causes of contemporary inequality.

2 Structural inequality is partly influenced by the way the government designs laws and regulations and organises their implementation. Another promising course of action therefore involves *changes to the systems of formal institutions, organisational structures and implementation processes*. The existence of a class of insecure workers arguably cannot be viewed separately from the labour market policies that have been

pursued over the past 20 years (including reduced contract security for employees and elaborate tax incentives for self-employment). The leisured upper echelon and low-education pensioners likely reflect the extensive Dutch pension schemes, as well as the facilitation of home ownership, specific tax exemptions and healthcare benefits.

Within this course of action, an initial option is to focus on institutional-organisational *causes*. Current examples include the impact of the large Dutch wealth inequality on class differences, the (in)sufficiency of the guaranteed minimum income and the recent string of ‘government scandals’ (childcare subsidies, earthquake damage in the province of Groningen, problems in the youth care system, etc.).

A second option is to explore the possibility of *remedying* class differences by changing institutions and organisations. This is in line with recent changes in the government’s policy paradigms and views on citizens. A successful remediation strategy for contemporary inequality requires a policy vision that explicitly clarifies the relationship between social rules, organisational structures and social class disparities. In this context, it is first and foremost recommended that the government make social investments in resources at crucial transitions in the life course. In addition, the objectives, rules and implementation in various government domains must be properly aligned, and compartmentalisation of different administrative levels and implementing organisations should be avoided as much as possible (optimal institutional-organisational complementarity). Furthermore, the principle of ‘proportional universalism’ – also known as ‘targeting within universalism’ – could guide the design of a remedying public system. This means that every citizen would be entitled to certain public services and facilities, without further conditions. Some groups of citizens would receive additional compensation for the existing inequality in resources, while an additional contribution could be required of other groups to this end. This approach would address the disparity between groups of citizens and likely reduce the need for individual customisation of entitlements, a recent issue in the Dutch policy debate.

As a last option within this strategy, the government can try to prevent resource shortages via the institutional-organisational route. Examples of such a *preventive* approach include implementing a ‘pre-distributive’ policy regarding wealth gaps, promoting talent development and preventing learning deficits in education, ensuring adequate and high-quality housing, and providing systematic preventive healthcare.

- 3 As a third promising course of action, policy can focus on *breaking the link between capital disparities and well-being, social cohesion and legitimacy*. An important policy challenge lies in the interplay between disparities in the capital held by the social classes and the subjective perceptions and experiences of these classes’ members. Compared to classes with fewer resources, members of classes with more capital have more positive views on society, better well-being and greater trust in other people. In accordance with their objective position, they also place themselves higher on the social ladder than groups with less capital. Furthermore, they are more likely to believe that people themselves are responsible for meeting their needs and that the government has a limited role to play in this regard. This is less common among groups with fewer resources. There is no easy policy solution in this case either. It seems important that policy and politics are sufficiently responsive to the way changing social circumstances affect the lives and behaviour of groups of citizens with varying levels of resources. Clear and effective laws, regulations and implementation processes can be helpful in this regard.

Note

- 1 The names of the classes reflect the main disparities that distinguish the capital groups from each other. However, this does not mean that everyone who belongs to a particular class actually possesses all these attributes.

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