

# Welfare Reform

The changing face of policies and social security systems – Some examples from the UK, Belgium and the Netherlands

## EU Policy Context

In 2010 the EU and its Member States embraced a policy of increased labour market activation through the Europe 2020 strategy. The policy highlights actions for smart, sustainable and inclusive growth. Two initiatives within the strategy link most closely to the objective of social inclusion:

### An agenda for new skills and jobs

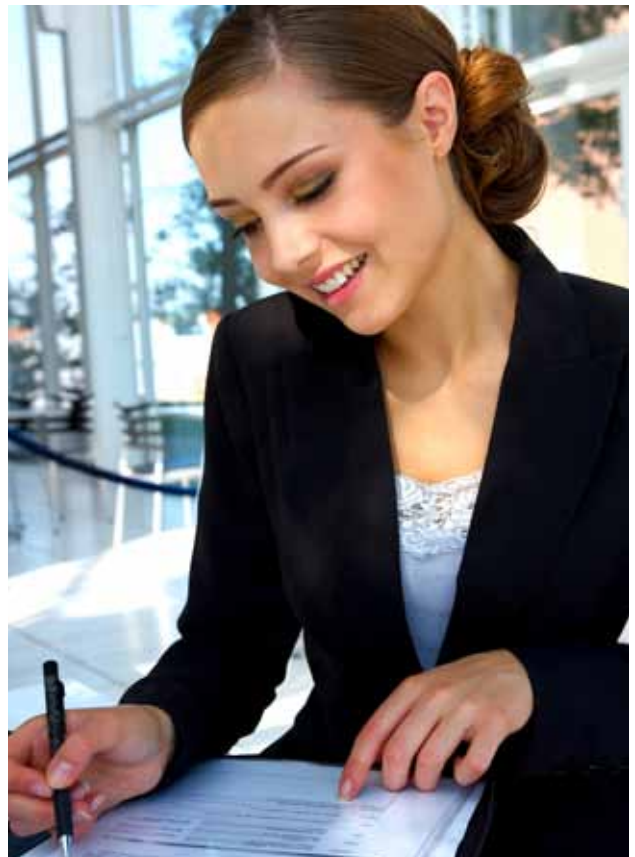
- To implement their national pathway for flexicurity to reduce labour market segmentation and facilitate transitions as well as facilitating the reconciliation of work and family life.
- To review and regularly monitor the efficiency of tax and benefit systems in order to make work pay, with a particular focus on the low skilled whilst removing measures that discourage self employment

### Youth on the Move

‘Youth on the Move’ aims to respond to the challenges faced by young people and to help them succeed in the knowledge economy. Launched in September 2010, ‘Youth on the Move’ recognises that Europe’s future prosperity depends on its young people, and acknowledges that quality education and training, successful labour market integration and more mobility of young people are fundamental to achieving the ‘Europe 2020’ objectives

Europe 2020 builds on the developments and progress achieved under the Lisbon strategy. It has led to Governments implementing Welfare Reform programmes in order to engage and activate a higher level of their working age populations into the labour market.

Europe 2020 builds on the developments and progress achieved under the Lisbon strategy. It has led to Governments implementing Welfare Reform programmes in order to engage and activate a higher level of their working age populations into the labour market.



New legislation aimed at a reduced public sector and an atmosphere of 'individual responsibility', 'take care of your self', and 'the market will solve issues' makes it more difficult to acquire support for an interventionist approach.

---

## Implementing Flexicurity

The Council of Europe in 2007 agreed the following statement in relation to social welfare and employment:

'that it involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems'.

For the UK, Belgium & the Netherlands, this is demonstrated through key measures over the last decade, but has also moved on significantly as a result of the global finance crisis.

Since the beginning of the TSE project in 2009, many of the European economies have gone through a significant financial crisis and are still feeling the impact of this. This has made national economies very uncertain. Businesses and employers have made significant changes and reductions to staffing numbers in order to meet these. It has also resulted in the following changes for the labour market, vulnerable groups, and social support available:

- Reduction of capacity and budgets to support access to job opportunities by disadvantaged groups within the labour market.
- New legislation aimed at a reduced public sector and an atmosphere of 'individual responsibility', 'take care of your self', and 'the market will solve issues' makes it more difficult to acquire support for an interventionist approach.

## Tough Targets

The EU and Member States identified some clear issues within the labour market and set clear headline targets to deliver growth within difficult financial times. These include:

- to achieve an employment rate of 75%
- at least 40% of young people should be educated to degree level
- 20 million fewer people at risk of poverty

## National Programmes

### UK

The Welfare Reform agenda in the UK began in the late 1990s to improve labour market activation and had three main elements;

- that all working age benefit claimants take part in an employment related activity
- to make work 'pay' through a system of tax credits to those moving into work and for those earning low wages or in meeting the additional costs of childcare
- an offer of personalised and tailored support directed at those who are most disadvantaged in the labour market

This has progressed through the policy development in 2007 & 2009 such as the Government's 'No One Written Off' which brought an increasing emphasis on employment support and improving employability for working age people, as well as bringing in new welfare benefits, such as the Employment Support Allowance, increasing conditionality of other benefits, as well as increasing outcomes from support programmes.



Since the change in government in 2010, this process has continued with the introduction of a single 'Work Programme' to support long term unemployed people back into work. It is also reducing welfare benefits and eligibility for many other means tested benefits. In the medium term it is introducing a single 'Universal Credit' welfare benefit for working age people in order to:

- simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer
- improve work incentives
- smooth the transitions into and out of work
- reduce in-work poverty
- cut back on fraud and error

#### The Netherlands

Over the past 10 years, Dutch policy, through its system of unemployment insurance and social assistance, has sought to:

- reduce the flows into long term benefit dependency and encourage movement off benefits
- improve the possibilities to balance work and caring responsibilities, and,
- reduce early retirement from the labour market by older workers

It rationalised the services that paid social security and provided support to unemployed residents through the creation of Centres for Work and Income, and the development of executive institutions that were responsible for reintegrating workers into the labour market. Improvements were made in access to childcare. And similarly, greater restrictions were made in the eligibility criteria for unemployment benefit, as well as the implementation of tax credits and

incentives to employers to retain older workers.

A number of recent changes have significantly affected the landscape - changes to benefit systems now mean that young people under the age of 27 now have to be either in work or in education or training. The new Work To Ability Act will merge two support budgets for disabled people. People will be classified according to their productivity towards the minimum wage.

At the same time the original budgets to execute these laws is being significantly reduced (by €2bn). Those people in receipt of the WWB (minimum income scheme) will now have to participate in some kind of activity for at least 20 hours per week. This participation is primarily focused on gaining economic independence and in either stabilising or improving participation in the labour market. The ultimate goal is for people to no longer need financial support from the city council. Tax credit support is expected to be phased out over the next 15 years



Member States must act to adapt economies and societies to respond to the economic crisis; and develop their economies based on knowledge and innovation - supporting sustainable and inclusive growth.

#### In Belgium

From the late 1990s the Belgian Government implemented a series of changes that placed greater emphasis on training for people on welfare benefits to raise their skill levels, or to assist people to transfer to job sectors that demonstrated skill shortages. There was also support for job creation within the social sectors. Employers were encouraged to recruit staff through tax incentives.

Over the past ten years, it has implemented similar changes to its labour market support and benefit systems to those seen in the other partner states, with increased requirements placed on benefit claimants to seek work, and the encouragement of older workers to stay in the labour market. There has also been a reduction in eligibility for some benefits, for example, unemployment benefit can only be claimed after 39 weeks, and lowered entry conditions for some specific sectors and occupational groups have been withdrawn.

The government has also introduced job subsidies to encourage work placements for job seekers who have completed their training, and wage supplements to partially able people to work and take a job.

#### Who will feel the impact?

The changes tend to be focussed upon working age people and those furthest from the labour market; as well initiatives aimed at encouraging employers to recruit. At the same time the member states are seeking to maintain a support system that is affordable to taxpayers.

The various changes that are being implemented in each of the partner states relate strongly to the assumptions set out in the Europe 2020 strategy - that Member States must act to adapt economies and societies to respond to the economic crisis; and develop their economies based on knowledge and innovation - supporting sustainable and inclusive growth.

#### The results

The results of all of these changes are ongoing, as programmes of reform continue to develop and change. As at October 2011, the outcomes are still not known as the economic climate remains flat with limited job growth and rising unemployment levels.

Further information on Welfare reform in the EU can be viewed at the EU Directorate for Employment and Social Affairs website:

[www.ec.europa.eu/social](http://www.ec.europa.eu/social)

