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Minna van Gerven

## **The Broad Tracks of Path Dependent Benefit Reform**

A Longitudinal Study of Social Benefit Reforms  
in Three European Countries, 1980–2006





# Studies in social security and health 100

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*Minna van Gerven*

## ***The Broad Tracks of Path Dependent Benefit Reforms***

*A Longitudinal Study of Social Benefit Reforms  
in Three European Countries, 1980–2006*

*Yhteenveto*

## ***Polkuriippuvaisten sosiaaliturvaetuuksien muutosten leveät urat***

*Pitkittäistutkimus sosiaaliturvaetuuksien muutoksista  
kolmessa eurooppalaisessa maassa 1980–2006*

*Samenvatting*

## ***De brede paden van de padafhankelijke uitkeringshervormingen***

*Een longitudineel studie van sociale zekerheidsuitkeringshervormingen  
in drie Europese landen, 1980–2006*

**Author**

Minna van Gerven, M.Soc.Sc.  
Amsterdam Institute for Advanced Labour Studies (AIAS),  
University of Amsterdam  
M.vanGerven@uva.nl

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**The Broad Tracks of Path Dependent Benefit Reforms  
A Longitudinal Study of Social Benefit Reforms in Three European Countries,  
1980–2006**

Proefschrift

ter verkrijging van de graad van doctor aan de Universiteit van Tilburg, op gezag van de rector magnificus, prof. dr. F.A. van der Duyn Schouten, in het openbaar te verdedigen ten overstaan van een door het college voor promoties aangewezen commissie in de aula van de Universiteit op vrijdag 17 oktober 2008 om 14.15 uur

door

Minna Marja-Leena van Gerven

geboren op 23 november 1974 te Harjavalta, Finland



## Abstract

Van Gerven M. **The Broad Tracks of Path Dependent Benefit Reforms. A Longitudinal Study of Social Benefit Reforms in Three European Countries, 1980–2006.** Helsinki: The Social Insurance Institution, Finland, Studies in social security and health 100, 2008. 362 p. ISBN 978-951-669-784-3 (print), 978-951-669-785-0 (pdf).

Seeking to contribute to the vivid discussion on welfare state change, this analysis takes a comparative look at changes in the rights and conditions of social security (unemployment, sickness and disability, and social assistance benefit) programmes in the UK, the Netherlands and Finland between 1980 and 2006. The study analyses 1) what has happened to the eligibility and entitlement rights and conditions in these European countries and programmes since 1980, 2) whether there are similar trends in benefit reform across countries and programmes, and 3) what the changes tell us about the scope and direction of welfare state reform in Europe. The data consist of national legislation and other primary sources. The results indicate that the benefit rules have been under constant revision during the last 26 years. The changes in the examined countries and programmes suggest four common European trends in benefit reform: 1) increased work-relatedness, 2) increased activation, 3) increased targeting, and 4) reduced benefit generosity. These trends in benefit reform suggest a convergence of policy goals. Yet, the more one goes into detail, the more divergence one finds. An in-depth analysis shows that the countries follow specific national development paths in how they adapt to new changes: while the UK social policy arrangements have returned to favouring minimum protection, the Dutch programmes still aim at the preservation of insurance protection for waged workers, and in the Finnish reforms, an attempt is being made to avoid radical changes in basic security. Further, the study shows that some countries and programmes have undergone more change than others. The most significant individual reforms have been implemented in the UK at the country level, and in the disability benefit programmes at the programme level. One also finds variations in the scope of reform across different types of benefit recipients. It is often the young, the long-term unemployed, or people with partial work incapacity who bear the brunt of reform measures. The conclusion is that, over time, the reform of social security benefit rights follows rather closely the traditionally chosen routes. There is, however, more room for manoeuvre in these path dependent benefit reforms than is often suggested in the literature.

**Keywords:** welfare state, change, social security, comparative research



## Tiivistelmä

Van Gerven M. **Polkuriippuvaisten sosiaaliturvaetuuksien muutosten leveät urat. Pitkittäistutkimus sosiaaliturvaetuuksien muutoksista kolmessa eurooppalaisessa maassa 1980–2006.** Helsinki: Kela, Sosiaali ja terveysturvan tutkimuksia 100, 2008. 362 s. ISBN 978-951-669-784-3 (nid.), 978-951-669-785-0 (pdf).

Tämä tutkimus tarkastelee hyvinvointivaltion muutosta vertailevasta näkökulmasta analysoimalla sosiaaliturvaetuuksien (työttömyysturvan, sairauspäivärahan ja työkyvyttömyyseläkkeen sekä toimeentulotuen) saajien oikeuksien ja saamisehtojen muutoksia Isossa-Britanniassa, Alankomaissa ja Suomessa vuosien 1980 ja 2006 välisenä aikana. Tutkimuksessa tarkastellaan, 1) miten etuuksien saantiehtoja ja oikeuksia on näissä kolmessa eurooppalaisessa maassa muutettu vuodesta 1980 lähtien, 2) onko yhtäläisiä trendejä muutoksen suunnasta löydettävissä eri maiden ja järjestelmien väliltä sekä 3) mitä nämä muutokset kertovat hyvinvointivaltion muutoksen suunnasta sekä sen laajuudesta Euroopassa. Aineistona käytetään kansallisia sosiaaliturvalainsäädäntöjä ja muita kansallisia primäärilähteitä. Aineistosta löytyy neljä eurooppalaista trendiä: muutokset ovat 1) korostaneet työn merkitystä, 2) lisänneet etuudensaajien aktivointia, 3) kohdentaneet etuuksia tarkemmin tietyille tuensaajille sekä 4) heikentäneet etuuksien tasoa. Nämä yhdensuuntaiset trendit antavat syyn olettaa, että reformien tavoitteet ovat lähentyneet toisiaan Euroopassa. Toisaalta mitä yksityiskohtaisemmin aineistoa tarkastellaan, sitä enemmän eroavuuksia löytyy. Yksityiskohtainen analyysi osoittaa, että maat seuraavat kohtalaisen hyvin ennalta määrättyjä kehityspolkuja siinä, miten uusiin haasteisiin vastataan: brittiläisessä sosiaalipolitiikassa ollaan ensisijaisesti palattu vähimmäisturvan tarjontaan, Alankomaiden järjestelmä pyrkii yhä säilyttämään työväestön sosiaalivakuutukset ja Suomessa perusturva on pyritty pitämään suurimpien muutosten ulkopuolella. Tutkimus osoittaa myös, että eräät maat ja niiden järjestelmät ovat käyneet läpi merkittävämpiä muutoksia kuin toiset. Merkittävimmit yksittäiset muutokset on toteutettu Isossa-Britanniassa maatasolla sekä työkyvyttömyys(eläke)järjestelmässä järjestelmätasolla. Lähempi tarkastelu osoittaa myös, että muutoksen koko vaihtelee eri etuudensaajaryhmien välillä. Varsinkin nuoret ja pitkäaikaistyöttömät sekä osittain työkyvyttömät ovat kokeneet viime vuosikymmenten aikana ehtojen tiukentumisen, ja heidän oikeuksiaan on rajoitettu. Tutkimuksen johtopäätös on, että toteutetut sosiaaliturvan muutokset viime vuosikymmeninä

seuraavat kansallisia ratkaisumalleja. Kuitenkin muutoksen mahdollisuus on olemassa, sillä näillä polkuriippuvaisilla sosiaaliturvaetuuksien muutoksilla on leveämmät urat kuin usein kirjallisuudessa esitetään. – Yhteenveto s. 290–293.

**Avainsanat:** hyvinvointivaltio, muutos, sosiaaliturva, vertaileva tutkimus

## Sammandrag

Van Gerven M. **Den stigberoende socialskyddsreformens breda spår. En långtidsstudie av socialskyddsförmånerna i tre europeiska länder, 1980–2006.**

Helsingfors: FPA, Social trygghet och hälsa: Undersökningar 100, 2008. 362 s. ISBN 978-951-669-784-3 (inh.), 978-951-669-785-0 (pdf).

Denna undersökning granskar välfärdsstatens förändring i ett jämförande perspektiv genom att analysera förändringarna i rättigheter och villkor i anslutning till socialskyddsförmåner (arbetslöshetsskydd, sjukdagpenning och pension på grund av arbetsoförmåga samt utkomststöd) i Storbritannien, Nederländerna och Finland under tiden mellan 1980 till 2006. I studien granskas 1) hur villkor och rättigheter har ändrats efter 1980 2) om det finns gemensamma trender och system samt 3) vad dessa förändringar berättar om i vilken riktning välfärdsstaten förändrats och om förändringens omfattning i Europa. Som material används nationella socialskyddslagstiftning och andra nationella primärkällor. Studierna visar att socialskyddsförmånerna har genomgått ständiga förändringar under de senaste 26 åren. I materialet syns fyra europeiska trender: 1) betonad relation till arbetet 2) ökad aktivering 3) riktade förmåner 4) minskad förmånsgenerositet. Dessa enkelriktade trender ger orsak att anta att målen med reformerna har kommit närmare varandra i Europa. Trots det så visar detaljerade studier fler skillnader. Detaljerade analyser visar att länderna följer specifika nationella utvecklingsmönster när de står inför nya utmaningar. Inom den brittiska socialpolitiken har man återgått till ett minimiskydd. Nederländernas system försöker bevara den arbetande befolkningens sociala trygghet och i Finland har man försökt hålla grundtryggheten utanför stora förändringar. Studien visar också att olika länder och system har genomgått mer betydande förändringar än andra. De mest märkbara enskilda förändringarna har implementerats i Storbritannien på landsnivå samt i pension på grund av arbetsoförmåga (disability benefit) på systemnivå. En närmare studie visar att storleken på förändringarna varierar mellan förmånsgруппerna. Framför allt unga och långtidsarbetslösa samt delvis arbetsoförmögna har råkat ut för strängare villkor och begränsade rättigheter de senaste årtiondena. Studiens slutsats är att de genomgångna ändringarna i socialskyddet har följt traditionella och nationella modeller. Det finns dock större möjligheter till handlingsutrymme i dessa reformer än vad som ofta föreslås i litteratur.

**Nyckelord:** välfärdsstat, förändring, socialskydd, jämförande studie

## Korte samenvatting

Van Gerven M. **De brede paden van de padafhankelijke uitkeringshervormingen. Een longitudineel studie van sociale zekerheidsuitkeringshervormingen in drie Europese landen, 1980–2006.** Helsinki: De Sociale Verzekerings Institutie, Finland. Studies in sociale zekerheid en gezondheid 100, 2008. 362 p. ISBN 978-951-669-784-3 (band), 978-951-669-785-0 (pdf).

Om deel te nemen aan de discussie over de veranderingen in de verzorgingstaat, bekijkt dit onderzoek vanuit een vergelijkend perspectief de hervormingen in de sociale zekerheidsrechten en -plichten in de werkloosheids-, arbeidsongeschiktheid- en bijstandsuitkeringen in het Verenigd Koninkrijk, Nederland en Finland tussen 1980 en 2006. Er wordt geanalyseerd 1) wat er is gebeurd met de rechten en plichten van de uitkeringsgerechtigden in deze Europese landen, 2) of er overeenkomsten/trends in de hervormingen tussen landen en regelingen te onderscheiden zijn, en 3) wat deze veranderingen vertellen over de richting en het niveau van de veranderingen. De data bestaan uit de nationale wetgeving en andere nationale primaire bronnen. Een belangrijke bevinding is dat de uitkeringsregels gedurende de voorbije 26 jaar voortdurende hervormingen hebben gekend. Er zijn vier trends te onderscheiden binnen alle landen en regelingen. Met name er is, 1) meer nadruk op het arbeidsvermogen, 2) meer activering van de uitkeringsgerechtigden, 3) richten op de uitkering op bepaalde groepen, en 4) lagere uitkeringen. De specifieke trends tonen een zekere mate van convergentie binnen Europa. Maar, hoe gedetailleerder de aanpak is, hoe meer divergentie vindt men. Een gedetailleerde analyse laat immers zien dat landen vaak bepaalde nationale ontwikkelingspaden volgen in hun aanpassingen: de Britse sociaal beleidsarrangementen zijn teruggekeerd naar minimum bescherming, de doelstelling van het Nederlandse stelsel is bij de werknemersbescherming gebleven, en in Finland is de basis zekerheid buiten de meeste drastische hervormingen gehouden. Een andere bevinding is dat bepaalde trends meer kunnen voorkomen in sommige landen of regelingen. Zo zijn bijvoorbeeld de meest significante individuele hervormingen te vinden in het Verenigd Koninkrijk op landenniveau, en in de arbeidsongeschiktheidsregeling op niveau van de regelingen. Ook hebben sommige groepen van uitkeringsgerechtigden meer verandering doorgemaakt: vooral de jonge en langdurig werkloze en de gedeeltelijk arbeidsongeschikte. De conclusie is dat, door de jaren heen, de hervormingen in sociale zekerheidsrechten padafhankelijk zijn,

maar dat, binnen deze padafhankelijke hervormingen meer mogelijkheden tot verandering bestaan dan men kan verwachten volgens de gangbare literatuur. – Samenvatting p. 294–296.

**Sleutel woorden:** verzorgingsstaat, hervormingen, sociale zekerheid, vergelijkend onderzoek

## PREFACE

When starting this research project, little did I know that the following years would bring not only academic wisdom, but also life wisdom. This journey has taken more than six years, and by the end of it, I have lived in three different countries, built a house, given birth to a baby boy, started a new job in Amsterdam, and experienced many other eventful moments. This quest has taken me through the emotions of extreme excitement, greatest despair, overwhelming satisfaction, hostile anger, and back. It has been a roller coaster ride, and I have loved every second of it. Undoubtedly, there are many things that I would do differently if I would start now. But still, from day one onwards this has been my project, my first 'baby', and I feel great satisfaction but also sadness that this project is approaching towards its end now. During this, sometimes seemingly endless, journey, I could count on the support of a large number of people. I would like to take the opportunity to express my gratitude to at least some of them.

To begin with, I wish to thank my supervisors and promotoren. I am grateful to Wim van Oorschot for his critical, to-the-point and pragmatic feedback over the years. Thank you for not giving up on me. By appointing me as the ESPAnet secretary for the first 3 years of its existence, Wim has opened numerous academic doors for me and given me an academic network par excellence. For this, I owe him great debts. Equally, I want to thank my second supervisor, Frans Pennings. Though he was involved later in this project, his input has been crucial. I am grateful to Frans for his neverending encouragement and making me enthusiastic about social security law. I also want to thank the reading committee of this dissertation, Jochen Clasen, Olli Kangas and Ton Wilthagen in alphabetical order, for their time and effort.

The colleagues at Tilburg University deserve a warm thank you. I want to thank my room mates Antonia Verweij and Joris Brekelmans in particular, who eventually chose a path other than academia, but whose friendship and encouragement helped me to finish this PhD trajectory. Dimitris Pavlopoulos, Dorota Lepianka and Trudie Schils were true friends and colleagues who helped me in several phases of this project. A thank also to other UvT colleagues, Anna, Brigitte, Christian, Heejung, Jannes, Jette, Ellen, Eric, Maike, and Wilfred among others, for making my time in Tilburg unforgettable. The data collection for this study required me to spend few months abroad. Therefore, I also want to thank the wonderful colleagues at the department of Applied

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I can now claim that there is life after PhD research and, therefore, I want to thank my current colleagues at the University of Amsterdam for making my life so wonderful. I wish to thank Jelle Visser and Wiemer Salverda from the Amsterdam Institute for Advanced Labour Studies for their faith in me when hiring me as a post-doc researcher even my PhD dissertation was not yet finished. I also wish to thank all my colleagues at Amsterdam University and AIAS for the inspiring work environment: it is great to be surrounded by people who, regardless of their different academic backgrounds, are always willing to discuss and exchange ideas. At AIAS, I took part in a research project in an European context. Although this ETOS.BE research project viewed welfare reform from the European perspective, I believe that it has improved the substance of this study by giving me a possibility to reflect on welfare state reform from another perspective than merely the national one. A special thank to the partners at the University of Leuven (Bart Vanhercke, Gert Verschraegen, Jos Berghman and especially Mieke Beckers, my partner-in-crime) with whom I worked the closest during this project, and who not only efficiently guided me into a new research topic, but who stood by me during the last difficult months of this PhD. Also, Nuria Ramos Martin, with whom we formed a somewhat strange team for the Dutch case study (strange in the sense that she is a 'southern' Spanish lawyer, and I am a 'Nordic' social policy analyst), deserves a special thanks. In the end Jelle was right, Nuria and I were the dream team for ETOS.BE project and I learned a lot of the Labour Laws and Spanish customs in the process.

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*Eindhoven, August 2008*

*Minna van Gerven*



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**ABBREVIATIONS**

AAW	General Disability Benefit Act
ABW	General Public Assistance Act
DWA	Disability Working Allowance
EEA	European Economic Area
EES	European Employment Strategy
IB	Incapacity Benefit
IOAW	Income for Older and Partially Handicapped Unemployed Person Act
IS	Income Support
JSA	Jobseekers' Allowance
JWG	Youth Work Guarantee Plan
LMA	Labour Market Assistance
ND	New Deal
NI	National Insurance
NCHIP	Non-contributory Housewives Invalidity Pension
NCIP	Non-contributory Invalidity Pension
MIG	Minimum Income Guarantee
OMC	Open Method of Coordination
RWW	State Regulation for Unemployed Persons
SB	Supplementary Benefit
SDA	Severe Disablement Allowance
SSP	Statutory Sick Pay
TW	Supplementary Benefit Act
UB	Unemployment Insurance Benefit
YT	Youth Training Programme
WAJONG	Disability Benefit for Young Disabled Persons Act
WAO	Occupational Disability Benefit Act
WAZ	Disability Benefit for Self-employed Persons Act
WIA	Work and Income according to Labour Capacity Act
WULBZ	Continuation Payment of Salary (Benefit) Act
WW	Unemployment Act
WWB	Work and Income Act
WWV	Unemployment Provision Act
ZW	Sickness Benefit Act



## 1 WELFARE STATE CHANGE AND REFORM OF SOCIAL SECURITY POLICY

### 1.1 Introduction

‘The welfare state as one of the great achievements of Europe, a strategy for combining the dynamism of capitalism with a measure of social justice that renders it compatible with democracy and tempers the chaotic tendencies of markets within a framework of social cohesion’ (Taylor-Gooby 2001a: 171–174).

The welfare states in Europe are in a state of permanent change. After the Second World War, these institutions were expanded to cover a wider range of social risks and provide better cash transfers and services. At the same time, the popularity and support of these institutions grew and they institutionalised their place in the hearts of the European citizens. This ‘golden age of welfare states’ came to an end in the 1970s and the early 1980s as the circumstances which favoured the expansion of the welfare state in the post-war period – favourable economic growth, full employment, moderate welfare needs and national political-economic autonomy – were reversed due to welfare state restructuring, demographic transition and economic globalisation (Pierson 1998; Taylor-Gooby 2002). The present research is situated at the centre of welfare state research in this ‘era of permanent austerity’ (Pierson 1994), when pressures to dismantle these institutions (or at least cut their costs) have been strong.<sup>1</sup> Although there seems to be a consensus among social scientists that the welfare states have stepped into the ‘silver age’ of welfare states, the academic interpretations of the nature of the change taking place vary from a strong resilience of welfare state institutions to large path-breaking changes of the same arrangements. It is this thorny debate that we want to engage. What is the direction and scope of change taking place in contemporary welfare states? Have the changes led only to the downsizing of these social arrangements as often assumed in the literature reviewing change in the era of retrenchment? Have the changes implemented during the past decades fundamentally altered the logic of modern welfare states, or have we witnessed only a series of adjustments at the margins? And what about the changes within welfare states? The aim of this dissertation is to study welfare state reform in three European countries, and three benefit programmes for working-age populations, between 1980 and 2006 and to contribute to the empirical, comparative, and theoretical knowledge of this important issue. This approach supplements the literature on welfare state change in three ways.

First, we contribute to empirical literature by employing an in-depth and systematic approach to view reform of social policy programmes through analysing the primary sources principally comprising national legislation. As we will demonstrate later, this is a necessity for understanding such complex institutions as social security provision

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1 Pierson (1998) argues that broad social changes, as elaborated later in the text, have caused a shift over the past thirty years from what he called enrichment politics to the politics of permanent austerity, where the political agenda mostly aims at cutting costs of the welfare state.

and their changing nature, but is very rarely undertaken in the field of comparative research. Second, we improve the comparative knowledge of reform of social policy programmes by analysing the changes in three European countries (The UK, the Netherlands, and Finland) over a considerably longer time period (26 years) than customarily undertaken. Furthermore, we adopt three different earnings-replacement benefit programmes (related to unemployment, sickness, and inability to work of working aged population) in the analysis in order to have a more comprehensive view of the realm of national social security. Finally, we want to bring more conceptual clarity of welfare state change and, based on our findings, to take part in the academic debate on welfare state change.

## 1.2 Pressures to welfare state reform

Why European welfare states and particularly their social security programmes are under heavy pressures to change since the end of 1970s or the early 1980s is explained through at least three types of factors: 1) economic pressures 2) external pressures such as growing economic interdependence; and 3) internal transitions in the form of societal changes.<sup>2</sup> The present analysis aims not to explain social security reforms, rather we wish to describe and analyse trajectories of reform in certain European countries and discuss our findings in the light of contemporary theories and academic literature. Nevertheless, in order to understand the complex socio-economic environment where social policies are made, we first need to elaborate on the possible pressures necessitating (or not) welfare state change.

### *Economic pressures*

The necessity to put an end to expanding social security provision is generally based on financial necessities. In the aftermath of the first (1973) and second (1979) oil crises due to the skyrocketing of oil prices, many European countries were confronted with a slowdown in economic output and productivity growth, followed by increasing inflation, higher public debts, and increasing number of people out of work. Such developments triggered claims that the welfare states were (becoming) too large, too expansive and too bureaucratic, and the by the end of the 1970s, the welfare states were generally believed to be in crisis (for a comprehensive overview, see e.g., Mishra 1984; Alber 1988; Kvist and Meier 2002). Economic criticism suggested that the size of social security programmes was responsible for a decline in economic performance, and that cuts in spending were essential to return to full employment and economic growth (Drèze and Malinvoid 1994; Lindbeck et al. 1994). For instance, Feldstein claimed that pay-as-you-go pensions lowered the rate of capital accumulation (Feld-

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2 This list should not be regarded as exhaustive, but rather as an inventory of the determinants of change most commonly suggested in the literature (for overviews of this literature, see e.g., Sainsbury 2001; Myles and Quadagno 2002; Amenta 2003).

stein 1974) and that unemployment insurance programmes caused a rise in what is termed the natural level of unemployment (Feldstein 1976). Others (e.g., Danziger; Haveman and Plotnick 1981) argued that payment of disability benefit caused people to leave the labour market, that retirement pensions caused people to retire early, that social assistance to lone parents discouraged their labour market participation and so forth. Even after it was acknowledged in the 1990s that welfare states had survived the apocalyptic prophecies portrayed in the crisis literature of the 1970s, the literature still argued that the welfare states face dual pressures (see e.g., Castles 2004): on the one hand there are downward pressures on the capability of welfare states to generate income through taxation; and on the other hand, pressures due to growing expenditure. Following the economic arguments, welfare states must adapt to these pressures in order to survive. For social security programmes this implies that social spending should be reduced.

### *External pressures*

The impact of external pressures on the welfare state has also been suggested as a driving force for reform. The most gloomy scenarios forecast that globalisation, broadly referring to growing economic interdependence, leads to a 'race-to-the-bottom' with national governments trying to attract capital, companies, and labour by lowering taxes, deregulating labour markets, and cutting social provisions (see e.g., Mishra 1999; Castles 2004). Castles (2004: 4), for instance, argues that at their most extreme the need to compete in world markets and to attract foreign capital can lead to 'a never-ending series of welfare cutbacks culminating in a minimalist welfare state'. In addition to these 'social dumping' arguments, globalisation has been seen as a risk for 'benefit tourism' referring to worries that people from the poorer countries would move to the richer countries to benefit from their generous social welfare systems rather than to work.

Furthermore, the increasing interdependence through European political integration has allegedly necessitated more reform. Especially since the launch of the Stability and Growth Pact (amended in 1993 in the Maastricht Treaty) requiring Member States to commit themselves to free competition and budgetary orthodoxy, countries have been required to reform their social protection (see e.g., Ferrera and Rhodes 2000; Ferrera 2005) by cutting social spending in order to comply with the Economic and Monetary Union (EMU) standards of the European Union. In addition to the supposed economic strains from globalisation or European integration, another strand of literature concerns the deliberate efforts to harmonise and coordinate national policies. To date, harmonisation of national social policies has not been very extensive and EU binding law is linked to equal treatment of men and women, non-discrimination, coordination of social security for migrant workers, and collaboration on the EU level (see e.g., Kilpatrick 2006). However, this 'Europeanisation of national policies' as referred to in the literature (see e.g., Scharpf 1999; Leibfried and Pierson 2000), is sometimes suggested to create pressures towards greater similarities in economic



and fiscal policies, institutional arrangements, and even in the level of provision in EU countries. In particular, the introduction of the European Employment Strategy (EES) in the Amsterdam Treaty in 1997 has been claimed to play a significant role in promoting the convergence and adaptation of policies of the Member States (for EES, see e.g., Zeitlin, Pochet and Magnusson 2005), particularly in the field of employment policies. The Amsterdam Treaty obliges the Member States to develop policies that create a more dynamic and flexible labour market and workforce. Such social policy regulation was under Lisbon Summit of 2002 widened to other fields of social protection such as social exclusion, pension and health care, and is called now the Open Method of Coordination (OMC) (for an extensive volume on OMC, see e.g., Zeitlin, Pochet and Magnusson 2005). Common social policy goals including raising employment rates, improving quality and productivity at work, and strengthening social cohesion and inclusion were set out in the Lisbon targets in 2002. Although these targets are agreed upon at the European level, they are not legally binding; rather their effectiveness relies on a form of peer pressure and naming and shaming.<sup>3</sup> Although the effectiveness of the new governance instruments is sometimes contested (see e.g., Rhodes 2006 who declares the funeral of the OMC), the academic literature clearly proposes that external pressures may facilitate a convergence of national social policies towards a European average, or even towards a minimum. Yet, not everybody sees the external pressures as a threat and the support for 'doom scenarios' has not been very solid (see e.g., Stephens 1996; Hirst and Thompson 1999; Pierson 2001b; Iversen 2001; Kvist and Meier 2002). Recent studies have concluded that neither globalisation nor Europeanisation has yet had major effects on European welfare states. For instance, Scharpf and Schmidt (2000: 12; see also Garrett and Mitchell 2001: 176) in their comparative study on the effects of globalisation on employment and social policies claim that 'while all countries seem to be constrained on the revenue side, there is no evidence of a race to the bottom'. Nevertheless, the increasing economic interdependence, the leading monetarist paradigm linked to EMU criteria, and the implementation of the new forms of governance at European level (EES, OMC) can be seen as a plausible pressure for the welfare states to at least rethink their social provision systems.

### *Internal transitions*

A large number of scholars emphasise the importance of internal transitions stemming from post-industrial changes to explain why social security programmes are under pressures to change (George and Taylor-Gooby 1996; Esping-Andersen 1996a; 1999; Glennerster and Hills 1998; Bonoli, George and Taylor-Gooby 2000; Kuhnle 2000; Hatland 2001; Sainsbury 2001). Societal changes, such as greying of the population, changing family patterns, the increasing share of women in the labour market, and the growth of part-time and flexible work among other things tend to increase

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3 'Peer review' and 'shaming and naming' are soft sanctions, which rely on hope that no member state wants to be the bad pupil in the class.

expenditure and put pressures on national budgets. These post-industrial factors represent 'irresistible forces' (Pierson 1998) which simultaneously increase demands on, and squeeze resources for, the funding of social policy programmes. For instance, the higher proportion of elderly people in the population will evidently lead to increasing costs for pension provision and health care, while low fertility will lead to fewer workers paying taxes to support public welfare distribution. In the future, these cumulative post-industrial changes will, in all probability, tie up more financial resources which politicians already claim not to have. Additionally, we see that changes in societies such as modernisation of welfare provision to meet gender equality in the 1980s (often obliged by the EC laws) and subsequently the ideational shift from passive to active welfare provision in the 1990s must also be considered as important internal transitions diffusing from external pressures (we return to this important issue also later in this chapter). With regards to modernisation of the welfare state, the integration of women in the labour market, and the cultural shift from the traditional male breadwinner model to dual earner model, where both husband and wife are working (Pfau-Effinger 1993; 2000) have been claimed to necessitate modernisation of welfare programmes.<sup>4</sup> For instance, the increased labour market participation of women creates pressures to change social security provision: individualisation of benefit rights (e.g., in pensions) must take place now that more women are working, care provision must be organised for working parents etc. Furthermore, the emergence of the Third Way thinking (declared e.g. by Blair and Schröder 1999) as an alternative to a traditional political dichotomy between neo-liberal and social democratic approaches, has been proposed to encourage national policy-makers to implement changes since the 1990s. The Third Way arguments, echoing from political and economic arenas within and outside national borders, emphasise civic responsibilities and individual social responsibilities with the welfare state no longer operating as a provider of passive income compensation, rather the state plays a facilitative role together with actively participating citizens (see e.g., Powell 1999; Giddens 2000).<sup>5</sup> Such internal pressures, sometimes arising from outside national borders, may potentially encourage policy makers to reform welfare state provision.

All in all, there are different views on pressures to reform welfare state institutions, and generally speaking, such pressures are often, either directly or indirectly, endorsed with economic arguments. Consequently, it is reasonable to suggest that such challenges have persuaded policy makers to consider and implement reforms. Numerous studies have indeed confirmed that welfare states are in transition since the (late)

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4 Although modernisation of welfare state arrangements is principally a domestic debate and necessitating national action, some of the pressures to improve gender equality have come from the European level, particularly European legislation. The EC law on equal treatment has given grounds to implement changes in the national policies due to the legal doctrine of supremacy of EU law (meaning that EC law takes precedence over domestic law).

5 Such messages to national policies are often suggested to have come from the European level. For instance, the labour market model of the EES and the employment chapter of the Amsterdam Treaty, as discussed above, have been interpreted in the literature as third way models, since the high levels of employment and social protection is linked in them with competitiveness, and the security and flexibility are seen mutually compatible (Kenner 1999: 48–51; also Visser 2000; Hemerijck 2002)

1970s (see e.g. Pierson 1994; George and Taylor-Gooby 1996; Clasen 1997; Esping-Andersen 1999; Kautto et al. 1999; Bonoli, George and Taylor-Gooby 2000; Ferrera and Rhodes 2000; Kuhnle 2000; Scharpf and Schmidt 2000; Alcock and Craig 2001; Kautto et al. 2001; Pierson 2001a; Sykes, Palier and Prior 2001; Taylor-Gooby 2001b). Yet, the picture arising from the existing welfare state literature is ambiguous: some authors claim that it is almost impossible to change the status quo of the welfare state, whereas others suggest that considerable reforms have been implemented. In the theoretical framework below, we will discuss shortly this much debated issue of welfare state change and see what consequences this has for our research in terms of research hypotheses and design.

### 1.3 Welfare state reform: theories and hypotheses

In the discussion to follow, we discuss the insights from the welfare state change literature. We start by demonstrating how, despite the influential economic pressures discussed earlier, welfare state change literature often concludes on the difficulty of social policy institutional reform. This is often explained by using historical institutionalism and/or political explanations. We also show how these explanations of inertia are increasingly being criticised in the literature. We use the academic discussion below to formulate some hypotheses on change (namely, how much change, which type of reform and where does it happen). We acknowledge that some of this literature reflects an event bias: many of them lay emphasis on the difficulties in changing welfare states, but in our view they provide us with a fruitful starting point to explore the nature of welfare state change, and more specifically the direction and scope of change across and within countries.

For many years, the image of a ‘frozen welfare landscape’ as portrayed by Esping-Andersen (1996b) prevailed suggesting that it is practically impossible to bring about change in the welfare state status quo. Indeed, literature up to the new millennium is full of notions of the difficulties of changing institutional structures, or, even down-sizing them (Esping-Andersen 1990; 1996b; Pierson 1994; just to name few). These volumes bring forward the idea of existing institutions constituting ‘deep equilibria’ that hamper the prospects of any kind of revision of the institutional status quo. The reason why welfare states seem to be ‘surprisingly resilient’ (Taylor-Gooby 2002: 597) or why reforms often seem to take the form of small adjustments is often explained by the institutional nature of the welfare state and its strong policy legacies, or, in other words, by the **path dependence** of institutions. Path dependence in social policy analysis foresees that welfare states follow specific development paths in how they adapt to new challenges, or in other words, history matters. Such findings are often proposed in the framework of welfare state regimes put forward by Esping-Andersen (1990). In the prominent book ‘Three worlds of Welfare Capitalism’, Esping-Andersen clustered the welfare states into three basic regime types: liberal, conservative, and social democratic welfare states, according to the differences in their social security

provisions.<sup>6</sup> Esping-Andersen argues that the Western capitalist countries have created social security systems corresponding to their own national histories and characteristics. Such institutional legacies sustain path dependence, where policy outputs are conditioned by the policy feedback of previous political choices (for this see also Pierson 2000). In the re-examination of his regimes (1999), Esping-Andersen also suggests that welfare state regimes have moved in the 1980s and 1990s along their own different paths of adjustment. Esping-Andersen conclusion is that 'the inherent logic of the three welfare regimes seems to reproduce itself' (Esping-Andersen 1999: 165). Following these arguments, one can thus expect very little change in this 'frozen landscape' where social policies are made.

In addition to the historical institutionalist view of path dependence described above, the (non)success of implementing large reforms is also suggested to depend on political explanations (for reviews and overviews, see e.g., van Kersbergen 2002; Starke 2006) and political constellations such as the strength of trade unions (e.g., Ebbinghaus and Hassel 2000; Boeri, Brugiaviani and Calmfors 2001), political institutions (such as concentration of power or number of veto players, see e.g., Bonoli 2001) and the popularity of social arrangements (and policymakers preference to avoid blame, see e.g., Pierson 1994). The most well-known piece of literature within this is field is that by Pierson (1994). Essentially, Pierson's argument is one of institutional inertia. He argues that because reform efforts carry tremendous electoral risks due to established welfare rights, 'the welfare state remains the most resilient aspect of post war political economy' (Pierson 1996: 179). In his study 'Dismantling the Welfare State?' Pierson (1994) found merely minor reforms in the UK and USA under the reform-minded Thatcher and Reagan administrations. Despite the 'irresistible forces', such as increased costs and aging population calling for change, Pierson (1998; 2001a) argues that it is practically impossible to turn a policy preference for dismantling mature welfare states into an attractive electoral strategy even in the face of economic austerity and budget strains. In his 'new politics' (1996; 2001a) account, Pierson draws on a picture of policy-makers caught up in a dilemma between mounting pressures and blame-avoidance strategies to get re-elected, which eventually leads to policy 'lock in' and 'sticky institutions' making it practically impossible for policy-makers to alter the system (Pierson 2001a: 23).<sup>7</sup> This irreversibility derives from the fact that actors have

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6 By using the quantitative social indices data from 1950–1980 (for this see section 1.4), Esping-Andersen demonstrated that the Social democratic countries aspire at universal coverage of social protection based on the citizenship and for a generous welfare state that would provide cash transfers and social services from cradle to grave. Based on reciprocity, conservative countries desire to a wide insurance coverage and a generous welfare provision to the insured. Liberal countries pursue a last resort welfare provision for those in need and accentuated the market provision as an important continuation to the minimum public provisions. The these regimes embed thus the three well-know principles of redistribution: universalism, reciprocity and need (see e.g., Deutsch 1975).

7 Pierson (1996; 2001a) claims that the new politics cannot be understood as the mirror image of the expansion of welfare states, where class-based political alliances played a significant role in the change (expansion) of the system (for the work of this power-resources school, see e.g., Korpi 1983; 1989; Esping-Andersen 1990). Rather, Pierson sees that new politics creates a distinct set of political problems, empowers different actors, and dictates new strategies. For Pierson, important factors are the role of formal institutions, the linkages between them, and the impact of existing policy arrangements on the differing outcomes as national welfare states contract.

already invested in the dominant path ('sunk costs') and are thus most likely unwilling to switch to an alternate one, but also from the fact that the reform of the welfare state is utmost politically unrewarding. Based on the increasing return principle, the more individuals participate in (paying contributions or benefiting from) the programme, the more deeply grained it becomes. The current difficulties of downsizing early retirement programmes may illustrate this political dilemma (Ebbinghaus 2005). Social innovations such as early retirement programmes were created in the 1970s and 1980s to deal with increasing unemployment and to encourage older workers to give room for new workers in the labour market. Such early retirement programmes were seen as a political success since they offered a socially accepted way for older workers to retire earlier while employers could use it for shedding older workers during a phase of downsizing and/or to maintain a high skilled internal labour market. As Ebbinghaus (2005) has shown, over time such institutions became generalised through peer comparisons and they slowly became a quasi-social right for all in particular sectors. Once a particular cohort had retired earlier, the following cohorts claimed the right to do the same. Yet, in times of low economic growth and staggering unemployment, such 'innovations' have had a persevere effect, since they increase welfare state expenditure, raise social security contributions, and eventually lead to further pressures on the labour market. However, due to their great popularity and their quasi-social rights nature, downsizing of these programmes has been intensely difficult. As Ebbinghaus (2005: 8) claims, once a critical mass of individuals has adopted these programmes, the increased returns principle and positive feedback mechanisms rooted in the social security programmes will stabilise it and hamper any change to the status quo.

Another institutionalist explanation of welfare state resilience is based on veto-points. This explanation runs that political systems harbouring multiple 'veto points' in the policy process (such as bicameralism, federalism, and corporatism and involvement of social partners in social policy making) make it very difficult to change the welfare status quo. In other words, the collective action of multi-level actors (politicians, trade unions, federal governments etc.) in the social policy making process makes it difficult to implement radical changes. From this reading, only unitary majoritarian political systems are able to effectively enact reforms (Saint-Paul 2000).<sup>8</sup> Furthermore, it has been claimed that welfare states embedding strong insurance-based social security systems, often administered on a bi or tri party basis (with representatives from both governmental and social partners, and sometimes also from private sector agencies) are more robust than countries with unitary administered programmes due to the institutional veto points that prevent, or at least make it more difficult, to politically manipulate the programmes without getting consent from other partners (Immergut 1990; 1992; 1998; Bonoli 2001).

The persisting assumption underlying the welfare state change literature is thus that welfare state institutions are difficult to alter. Yet, the academic work on historical institutionalism and path dependence has recently been vividly discussed. For

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8 However, recent empirical evidence suggests that reality is more complicated (see e.g., Visser 2006).

instance, authors (see e.g., Hall 1999: 136; Hering 2003: 2) suggest that studies up to the early 2000s were successful in explaining welfare state resilience and minor adjustments, but considerably weak in accounting for the structural changes (for the political explanations for success in implementing such unpopular reforms, see e.g., Green-Pedersen and Haverland 2002; Vis and van Kersbergen 2007; Stiller 2007; Vis 2008). Hering (2003: 2) for instance sees that the emergence of stronger European interdependence and particularly the European monetary regime have opened a window of opportunity for major institutional change of German pensions system, by partially privatising the pay-as-you-go pension system in 2001. Such reforms altering fundamentally the structure of current programmes have encouraged some authors to propose a concept of *path departure* (Pierson 2001b; Hering 2003; Ebbinghaus 2006). These authors emphasise that it is not only path dependence that occurs, but changes have also been implemented (particularly in the 2000s) resulting in a partial adaptation through partial renewal of institutional arrangements and limitation of core principles. Other authors claim that *path cessation or switching* has taken place. Authors such as Stinchcombe (1965) or Hall (1993) refer here to an intervention that ends the self-reinforcement of an established institution, which may give way to a new institution in its place. Hall's example of the third order change changing the leading paradigm from Keynesian to monetarist policies derived from his empirical analysis on macro-economic changes is one of the most well-known of such notions. Others, such as Streeck and Thelen (2005a) have pointed out that *a fundamental reform can also occur through an incremental process over a long time period*. Streeck and Thelen (2005b: 19–30) distinguish five social mechanisms of both incremental and transformative changes, namely, exhaustion, displacement, drift, layering, and conversion. Institutional *exhaustion* refers to a gradual breakdown of institutions over time due to self-consumption (the normal working of an institution undermines its external preconditions), decreasing returns and overextension, with the result undermining the institutional preconditions of prevailing institutional repertoires. An example of such is given by Trampusch's (2005) analysis of the exhaustion of early retirement policies in Germany. Institutional *displacement* involves the slowly growing salience of subordinate relative to dominant institutions, as a result of increased institutional incoherence, opening up policy space for deviant behaviour based on the rediscovery and activation of redundant or dormant endogenous repertoires. In their analysis of Britain's transition to neoliberalism in the early 1980s, Crouch and Keune (2005) show how displacement was facilitated by the fact that the foundations of Keynesianism had been precarious to begin with, and that they had co-existed with alternative institutions and practices firmly anchored in the country's financial sector. In the case of institutional *conversion*, an institution that was initially established to cope with one particular task is put to another use, thus the concept concerns the redirection of existing institutions to new purposes. An example of this was shown by Levy (2005), who demonstrates a change of the French state from industrial to social policy, where the failure of the old statist model precipitated the transition. In the case of institutional layering, exogenous pressures are diverted by supplementing established institutions with additional rules of procedures, designed to relieve bottlenecks in the existing institutional format. Layering basically thus adds a new layer with divergent orienta-

tion on top of existing institutions, as was shown by Palier (2005) in the case of the introduction of the new means-tested minimum income protection programme to supplement the remaining Bismarckian policy provisions in France. Finally, in case of institutional drift, the deliberate ignoring of institutional maintenance in spite of external changes can result in slippage in institutional practice. This was shown in the work by Hacker (2005) that shows how the risk coverage in the US has narrowed significantly as policymakers have failed to adapt welfare programmes to cover new risks that have emerged outside the scope of existing policies. We return to Streeck and Thelen's work (and its consequences to our conceptualisation) later in this chapter, but these examples are meant to illustrate the increasing academic attempts to re-conceptualise change.

Perhaps we should go beyond resilience, and try to understand how (and why) welfare states change. We will not, however, intend to explain change in the present study as argued earlier. Rather we are interested in the current analysis whether the assumptions of inertia or frozenness stemming from the literature discussed above can be actually found in a detailed systematic analysis of social policy reforms. As our reading of academic work indicates the increase of fundamental reforms (either through single path-breaking reforms or a series of incremental changes leading to substantial change) we want to go beyond the assumptions of resilience, and formulate our first hypothesis based on the literature arguing that there is change taking place in Europe.

**Hypothesis 1.** Based on the literature suggesting that path-breaking reforms do get implemented, we expect that:

When it comes to reforming welfare state institutions, social security institutions are not frozen and not impossible to change.

Before going any further, we note that in the current study we focus on changes in social security programmes and their benefit structure (access to and rules of certain benefit programmes as elaborated in Chapter 2). This means that we will only concentrate on a small area of social policy (the choice of programmes and countries discussed in Chapter 2), and therefore the findings of this research are also limited to this area of welfare state intervention. We argue that making claims on broad institutions such as the welfare states, covering a variety of elements such as health care, education, social services, and cash transfers, but also tax benefits, minimum wages, control of product and service markets, centralised collective bargaining, etc, might analytically be too broad to understand the nuanced reality of contemporary welfare states (and their change) (as suggested also by Bonoli 2005; Clasen and Siegel 2005; Clasen and Clegg 2007; Kühner 2007). Furthermore, as elaborated below, developments in different areas of welfare states can vary profoundly. We propose, therefore, that by looking only at one specific dimension of welfare state reform, we can more clearly capture the nuanced politics of the welfare state. Viewing the reform of particular social security programmes, and even more narrowly certain cash transfers to working age population in selected European countries as we do, allows us simply to interpret reforms of

benefit programmes (hereafter referred as *benefit reform*), instead of a wider concept of welfare state change.

In addition to the scope of benefit reform (the degree of change), benefit reform raises another important question, namely the direction of reform. If there are changes, have they expanded or contracted the social provision available in a country? To answer this question, it is essential that the unit of analysis is clearly defined: whereas interpretations of the direction of social security benefit reform (1980–2006) often point towards contraction, academic reading in the field of health care and social services at the same time suggests that welfare provision has generally been expanded. Huber and Stephens (2000) and Leira (2002) for instance have written extensively on improvements in services, primarily on child-care services in Europe. That developments within a broad concept such as the welfare state can be diverse, should be no surprise. But as said, the main message coming from the academic writers focusing on social security benefit reform concerns the contraction of benefit rights that has taken place in Europe. Different concepts have been used, but basically the idea behind the dominant interpretation implies that social protection programmes have been subject to fewer benefit rights and/or more conditions. This is done for instance by cutting benefit rates and benefit duration, implementing more stringent eligibility and entitlement criteria, and introducing more obligations and sanctions for those claiming cash transfers. Since the 1990s, this academic discussion culminated in the concept of retrenchment put forward by Pierson (1994; 1996; 2001a): retrenchment was the buzz word on everybody's lips (for a literature review on retrenchment studies see e.g. in Starke 2006).<sup>9</sup> Later in the 1990s, the triumph of studies with R-words in their title (Powell and Hewitt 2002: 2), referring to concepts such as retrenchment (Pierson 1994; Clayton and Pontusson 1998; see e.g., Bonoli, George and Taylor-Gooby 2000; Green-Pedersen 2001), restructuring (Timonen 2003), recasting (Ferrera and Rhodes 2000), recalibration (Pierson 2001a; see also Hemerijck 2005; Ferrera; Hemerijck and Rhodes 2007) just to name a few, continued. These R-words embody slightly different definitions of welfare state change, but what they all have in common is that they generally argue for the direction of change in social security benefit programmes towards fewer rights and more conditions, and allow no instances of expansion of rights.<sup>10</sup> Therefore, a hypothesis can be made on the direction of change.

9 The roots of the term retrenchment date much earlier than to Pierson's work, while retrenchment had been used already in the 1920s and 1930s to examine the public expenditure cuts in the UK (Powell 2004: 4). Although being very popular concept, retrenchment has a serious conceptual shortcoming. On the one hand, retrenchment is purely seen as entitlement cutbacks. This is how Green-Pedersen (2002b) in his comparative study on changes in social provision programmes in Denmark and the Netherlands defines retrenchment: changes in social security programmes making them less attractive or generous to recipients. On the other hand, it was concluded that retrenchment can also mean changes which do not solely mean cutting of benefit (Ferrera and Rhodes 2000). For instance, in his analysis of welfare state restructuring in Great Britain and the United States in the 1980s, Pierson (1996: 157; see also 1994) argued that welfare state retrenchment can also mean 1) significant increases in the reliance on means-testing, 2) major transfers of responsibility to the private sector; and/or 3) dramatic changes in benefit and eligibility rules that signal a qualitative reform of a particular programme. Pierson (particularly in his 2001 volume) saw welfare state reform as a wider range of shifts in the welfare state than Green-Pedersen.

10 Pierson (2001a) later refrained his theory on retrenchment by distinguishing between cost containment (retrenchment), re-commodification (reversal of decommodification, where changes decrease persons reliance on the market),



**Hypothesis 2.** Based on literature on retrenchment (and other related studies) we predict that:

Fewer rights and more conditions have been introduced into European social security programmes rather than expansion of rights in these programmes.

The issue of the direction of benefit reform is also related to the question of change across countries. An important academic debate has stemmed from a range of studies indicating that European welfare states respond to similar pressures in very similar ways. This ‘tendency of societies to grow more alike’ (Kerr 1983: 3) is often understood under the concept of convergence.<sup>11</sup> However, acceptance of convergence has been anything but unanimous. Based on the consensus prevailing that European welfare states have, for a variety of historical, economic and political reasons, developed different types of welfare regimes (ref. Esping-Andersen 1990 regime typology discussed earlier in this section) that provide social security in various ways, authors suggest divergence of European welfare states (for evidence for divergence, see e.g., Kuhnle 2000; Hall and Soskice 2001; Huber and Stephens 2001; Hinrichs 2001). Common challenges are claimed to be ‘filtered’ by national traditions, institutions and interests (Ferrera; Hemerijck and Rhodes 2000), leading to very different policies and outcomes. In our view, the troubles rooted in the convergence debate lie in a lack of clarity regarding what the authors mean by the object of convergence. Again, studies proposing convergence do not always define at what level the welfare state does this: on the societal level, on the policy level of programmes, services, and so forth (as discussed in the recent work by O’Connor 2007). Macro-level interpretations of convergence generally refer to processes over time on the societal level (such as the logic of industrialism as referred by Kerr 1983) and they are very different from convergence on policy level where the assumption is that the differences between different units, for instance in policy goals, or policy instruments, decrease over a period of time. Literature (Bennett 1991; O’Connor 2007) suggests that convergence on one level, for instance on the macro level, can be demonstrated, but yet at the same time, divergence on another level, for instance the benefit programme level, can prevail. For instance, Cornelisse and Goudswaard (2002), Bouget (2003) and others have found quantitative evidence on convergence in social welfare systems in Europe (based on level of financing, social protection expenditure as percentage of GDP), whereas Kautto and Kvist (2002) found

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and recalibration. The latter refers welfare state restructuring where government adopts new ideas and/or updates her welfare systems to meet new demands or risks (Pierson 2001a: 419–427). Ferrera and Rhodes (2000; see also Ferrera; Hemerijck and Rhodes 2007) employ the concept of recasting, which means an extensive form of remodeling by way of providing a new cast for the welfare state to accommodate the shift from old to new social risks. Although these concepts account the inclusion of new social risks, they illustrate increased obligations and/or lower protection, and allow no instances of expansion of rights to occur.

11 The roots for convergence studies lie in the 1960s, when studies generally compared economic systems (such as study on capitalist vs. state socialism as done by Brzezinski and Huntington 1964), but since the strengthening of similar economic and political pressures in Europe, the idea of convergence received novel attention in the 1990s. The new convergence debate is argued to take place in revised form. Montanari (2000) suggests that whereas the old convergence theory explained the emergence and expansion of the welfare state, the new convergence thesis underpins views that emphasise the curtailment of welfare states.

in their more detailed analysis on (share of insured as percentage of total financing) persisting diversity in the European context.<sup>12</sup> Therefore, we formulate our third hypothesis consisting of both these assumptions.

**Hypothesis 3:** Based on the literature pointing both to convergence and divergence, we expect that:

It is more likely that we find convergence at higher analytical/policy level.

It is more likely that we find divergence at lower analytical/policy level.

A final observation of the direction of benefit reform stems from the empirical research reflecting the ongoing ideational shift from passive to active welfare provision since the 1990s. It is well-documented by now that governments have begun to redesign social and labour market policies to improve the supply of labour and bring people out-of-work back to the labour market: a greater emphasis on work is embedded in the social security programmes in Europe (see also van Berkel and Valkenburg 2007 for observations of similar developments in activation services). This ideational change is echoed by the empirical analysis on the rhetoric surrounding welfare state reforms and policy-makers' attempts to raise work above benefits (Lødemel and Trickey 2001; Bonvin 2004), but also from academic work demonstrating benefit administrators' increased demands for previous work experience for eligibility and entitlements, more availability for work by social security claimants, a greater push for activation policies (Clasen 2001b, see also our discussion in section 1.4 on other empirical work) and a clear shift away from social security benefit rights towards their responsibilities (Dwyer 2004). On the basis of these observations, we predict that the reform of social policy is increasingly centred on the preference of work above benefits. Based on these empirical observations, our subsequent hypothesis reads:

**Hypothesis 4.** Based on the literature reflecting a change from passive to active social policy, we could expect that we find:

Increased work-relatedness in the entitlement criteria and obligations for people claiming and receiving benefits.

In addition to these 'European trends of benefit reform' observed from the existing literature, our readings from existing work guide us to expect differences in scope and direction of benefit reform. We should not expect that reforms affect all countries, programmes or even claimants, or at least in the same way. Given the institutional and/or political explanations addressed above, we assume that the scope, as well as the direction, might vary between different countries, programmes or claimant groups. Below we discuss the importance of this observation to our analysis, broaden our theoretical framework, and present three more hypotheses derived from this debate.

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<sup>12</sup> This example already reflects a problem of different research approaches leading to very different, sometimes contrasting research findings as discussed further in section 1.4).

We suggest that the nature of change (namely, the scope and direction of welfare state change) can depend on the object of restructuring. Perhaps, the most well-known observation from the literature is that some welfare states seem to be more prone to change than others due to the differences of their institutional structures. These findings are based on studies embedding the famous classification of the three different welfare state regimes of Esping-Andersen (1990) referred to above. The conservative welfare states covering countries such as Germany and France, and sometimes the Netherlands, are often claimed to be particularly frozen (Esping-Andersen 1996b; Palier 2001b; 2002; Lessenich 2003) due to the strong involvement of social partners in social policy making and the strong Bismarckian legacy of workers' insurance programmes. Furthermore, several authors have indicated the distinctiveness and resilience of the Nordic (social democratic) welfare states (Kautto et al. 1999; 2001; Kautto and Kvist 2002; Greve 2004). Cox (1998; 2001; 2004) for instance argues that Nordic welfare states are particularly resilient against radical reforms due to the overall level of support for and commitment to the universalistic Nordic model. In contrast, liberal welfare states with a strong preference to unitary politically administered welfare programmes, such as the United Kingdom, have commonly been regarded as particularly vulnerable to cuts in public provision and most keen to shift responsibilities from the state to private markets (see e.g., Taylor-Gooby 2001). As well-known and cited as these regime types are, we consider, however, that regime types are too crude measures for analytical purposes: the regimes constructed at national level tell very little about the actual constructions of national programmes and their change (ref. also our decision to view merely benefit reform).<sup>13</sup> Rather, as Kangas (2004: 191) points out in his analysis of sickness benefit programmes in 18 OECD countries, we need more fine-grained tools to unravel the institutional aspects and political constellations behind the various dimensions of relevance to our understanding of developmental patterns in welfare state provision. For analytical purposes, we follow the classification of welfare programmes proposed by Korpi (2003b), which in our view offers a more fruitful starting point since it goes beyond the black box-like ideal types of welfare regimes and gives us better tools for understanding dynamics in the social security programmes (see also Kangas 2004). In his analysis, Korpi (2003b: 599) used criteria for eligibility to benefits, principles to define benefits, and type of governance as classification principles, and ended up with five models of institutional structures.

**The state corporatist model**, wherein entitlements are based on contributions and the claimants' membership of a specific occupational group. Benefits in this model are clearly income related, in bi- or tripartite systems of administration, representatives of employers, and employees, and sometimes also representatives of the state participate in the running of the programmes.

**The basic-security model** is universalistic (at least in principle) and gives to all benefits at a flat-rate, which is typically rather low. Due to the low benefit rates, better-off

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13 As Bolderson and Mabbett (1995) points out, it is evidently problematic to categorise countries' social security systems into regime types or models. Modern social provision programmes are complex institutions and the diversity of redistributive principles underlying within and between countries induce problems for fitting countries in categorisations (we elaborate on this below).

citizens are likely to gradually develop private solutions such occupational insurance and savings.

In terms of benefit levels, **the encompassing model** combines elements both from the basic security and the corporatist model; that is, it guarantees basic security and homogeneous income-related benefits.

In **the targeted model** the aid is given only to those in need and only after claimants have passed a test. Since this model provides merely the minimum compensation in the times of need, the levels of benefits are rather low.

**The voluntary state subsidized model** is based on membership of a fund and the benefits, although often income-related, are generally rather low.

Kangas (Kangas 2002; 2004: 193; Table 1) has crystallised the essence of Korpi’s models in Table 1.1 presented below. We see that this work constitutes a good starting point for an empirical study of the change of the welfare state institutions since it enables us to account for the characteristics of European social security programmes.

**Table 1.1.** *The characteristics of European social security programmes (Kangas 2002; 2004: 193; Table 1).*

Model	Bases of entitlement	Benefit principle	Administration	Main form of financing	Arena of action
Corporatist	Occupational category	Income-related	Bi/tri- partite	Contributions	Labour market/ policies
Basic-security	Citizenship	Flat-rate	Public	Taxes	Politics
Encompassing	Citizenship + Labour force participation	Flat-rate + income-related	Public	Taxes and contributions	Politics
Targeted	Reversal to income	Flat-rate + needs-tested	Public	Taxes	Politics
Voluntary state-subsidized	Membership	Flat-rate or income-related	Members (and public)	Contributions (state subsidy)	Funds (politics)

Following the argument put forward by Kangas (2004: 192) and the general direction of theories on welfare state change (Pierson, Immergut) discussed above, we see that social security programmes, being political artefacts, are subject to political decision-making. Therefore, publicly administered models and more specifically, programmes where the arena for action is open to politics and where benefits are financed through the public resources, can be easier to alter. In contrast, and as Kangas (2004: 192) argues, corporatist, segmented programmes, where earmarked social security contributions give ‘the illusion of a contractual situation’ and in which benefits are brought by contributions and the labour market partners can rule out politicians, are

more resistant to change. In sum, the institutional arrangements for basic security, targeted and encompassing models of benefit provision are claimed to be easier to change than purely corporatist or voluntary state-subsidised models. Based on the above considerations, we advance two hypotheses:

**Hypothesis 5.** On the basis of theories concerning how the characteristics of social security programmes can affect the propensity of change (scope and direction) we could expect that welfare states/programmes administered on a bi or tri party basis are more resistant to change than unitary politically administered countries/programmes. This means that:

Across countries, we could expect more changes in countries representing the basic security model, targeted or encompassing model than countries with a strong state corporatist (or voluntary subsidised) social security arrangements.

Within countries, we could expect more change in publicly administered social assistance programmes than in workers earnings-related programmes.

Secondly, the popularity of social programmes can significantly influence whether the benefit programme can be more or less easily reformed. Derived from many studies on popular opinion, we see that universal benefits (with usually no conditions on eligibility other than residence or citizenship) in particular are supported by the majority of people while the opposite applies to means-tested benefits, targeted to a very limited group.<sup>14</sup> For instance, Rothstein (2001) (Stephens 1996; Svallfors 1996; 1999; Goul Andersen 1997; Goul Andersen et al. 1999; Blomberg and Kroll 1999; Forma 1999a; b; Kangas and Forma 1999; Kuhnle 2000; van Oorschot 2000b) have shown that universal programmes are supported by the population, whereas programmes adopting a selective approach (social assistance and housing allowance) enjoy least support. Using data from the European Values Study survey, van Oorschot (2006) has also demonstrated that health-related income transfers and old age pensions are the most popular welfare programmes, followed by unemployment benefit programmes. When viewed in the context of welfare state reform, we see that the more popular the programme is, the harder it is to reform. This is most commonly explained by the assumptions set out by Pierson (1994), who claims that, under conditions of continuous constraints, policymakers are impelled to operate (cut costs) while trying to minimise the risks of electoral defeat. In Pierson's (1994: 1996) terms, the new politics of the welfare state is primarily one of blame avoidance. Therefore, the more popular the programme is, the more politically risky it is for policy-makers to try to alter it, and consequently, the fewer fundamental reforms are implemented.

14 Walter Korpi's (1980) research has particularly shown that means-tested programmes are most vulnerable to be dismantled. He claims that this happens when a wedge is thrust between the payers and benefit receivers: the people paying are not entitled to the benefit and therefore are unenthusiastic to pay. This causes a situation, which Korpi refers to as 'payment revolt', where the legitimacy of means-tested programmes is low and therefore the benefits are easier to cut down. In contrast, Korpi sees that the universal programmes unite all people, the payers and receivers, creating a mutual interest and wide solidarity.

**Hypothesis 6.** Based on the literature on popular opinion, we could expect that some programmes are better protected than others: the more popular the programme is, the more difficult it is to implement fundamental reforms. Hence our next hypothesis reads:

We could expect more changes to unemployment benefit and social assistance benefit programmes than to benefit programmes for ill health and work incapacity.

Closely related to popularity of the particular programmes, we find also arguments from the deservingness literature that certain target groups can be better protected against benefit cuts than others.<sup>15</sup> Coughlin for instance shows that the public is in most favour of providing support for old people, followed by support for sick and disabled, needy families with children and unemployed. The group given least support is the poor on social assistance. This ranking has been confirmed also in the works of others (Pettersen 1995; van Oorschot 2000a; 2005).<sup>16</sup> The issue of who is considered as deserving can thus be closely related to whether the government can radically alter the provision for this group. The old and sick are often seen as more deserving than the unemployed, as they are expected to be less in control of their neediness and the public can better identify with those groups ('us' rather than 'them'). Most people have been sick and everybody eventually gets older (van Oorschot 2000a). Cuts to these cause easier opposition and might therefore be politically risky for politicians. In contrast, the deservingness of the unemployed and poor receiving social assistance and unemployment benefits is less strongly perceived. This might be caused by the perception that the unemployed, at least in theory, can get a job if they want. The unemployed are also more often perceived as ungrateful (Albrekt Larsen 2005: 6). Cuts to their benefits are seen to be less politically risky, and therefore easier to implement. In addition, some groups have stronger political interest groups protecting them from serious welfare cutbacks. For instance, in the case of unemployment benefit, reforms are often directed to the young, rather than the old (Clegg 2003b; Clasen and Clegg 2003b) as older employees are often better organised (see e.g., Bonoli 2000) and they commonly have stronger interest groups (trade unions or political parties) behind them. Again, cuts in the benefit rights of this better organised group would raise more opposition and could be politically riskier than doing so for the younger and less organised generations. Hence our last hypothesis reads:

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15 The difference between the notions of popularity of certain programmes and deservingness theory is that whereas the former is directly related to people's subjective support of certain programmes (making the reform of these programmes politically risky for the politicians), the latter operates at the level of policy-makers and public's normative perception of redistributive justice. Indeed, which criteria is used to judge whether a group deserves (or continue deserving) help is extensively discussed in the deservingness literature (See e.g., Coughlin 1980; van Oorschot 2000a). If following the assumptions set out in Pierson's new institutionalism that policy-makers act merely in the way to minimise losses in the forthcoming elections, both approaches can provide complementary explanations for the variance in the scope of reforms implemented to certain programmes or groups.

16 A particular new problem with deservingness and public support for welfare policy is immigration, emphasizing the 'insiders/outside' dichotomy. A study by van Oorschot (2005) using the comparative European Values Survey data confirms the patterns of highest concerns for elderly, followed by for sick and disabled, unemployed and last and certainly least, immigrants.

**Hypothesis 7.** Based on the literature on deservingness perception, we could expect that some target groups are better protected than others: the more deserving the group is perceived, the less fundamental reforms can be implemented. Hence our last hypothesis reads:

We could expect more changes to the rights of young people than to those of old people.

To conclude, being difficult to reform or not, welfare states are in transition and the insights from literature guide us to pay particular attention to the in-country differences, in addition to merely accounting for cross-country differences. Factors such as path dependence (due to institutional and/or political mechanisms) may contribute to the differences in the scope and direction of reform across different countries, programmes, or even target groups. The findings from our empirical analysis (Chapters 3–5) will be discussed in Chapters 6 and 7 against these theoretically derived hypotheses and existing work on welfare state change.

#### 1.4 Assessing benefit reform

We claim that at least some of the ambiguities in the academic readings discussed above (is there change, how much and in which direction) are due to vague concepts of reform and sometimes also due to different research approaches employed. Such observation is also raised by academic scholars referring to the dependent variable problem, that is, what is welfare state reform and how can we assess it (Green-Pedersen 2002a; 2004; 2005; Powell 2004; Clasen and Siegel 2007). We have already raised an important element of this discussion above; the need to precisely identify the analytical level addressed when making claims of welfare state change. Findings at the level of benefit reform do not validate wider interpretations of welfare state reform, neither do findings of convergence at one level exclude a possibility of divergence at another. In addition to this, we show in the forthcoming sections how the concepts of benefit reform used are often ambiguous or poorly defined and how studies often fail to capture developments over time. Hence, in this section we try to provide better analytical concepts related to the direction (the effect of reform on the degree of social protection) and scope (the degree to which reform or reforms alter the fundamental character of a benefit programme) of benefit reform, as well as elaborating on the concepts of convergence or divergence of benefit programmes. Conceptualisation of benefit reform is however only half of the problem. Therefore, we will also address in this section the question of the actual measurement of benefit reform by discussing the possible ways of assessing change and elaborating why we choose the institutional architecture approach as our specific research approach to capture benefit reform in this study.

### 1.4.1 Concepts

The direction of benefit reform: more or less social protection?

To advance the theorising of the welfare state and to study the reform of social security in the light of the above formulated hypotheses we need to pay more attention to the conceptualisation of change. Although R-words referred in the previous section (to include concepts such as retrenchment, recasting etc.) are popular, we will not employ any of them in our analysis. These concepts have a key weakness in that they implicitly contrast between dismantling and expansion, and commonly leave no room for forms of benefit expansion although a careful reading of social policy literature reveals some such instances. Indeed, in addition to the literature on social services, where the direction of change is commonly proposed to be towards expansion (discussed above), we find some evidence for expansion of social provision also in the literature on social security programmes. For instance, Clasen and Clegg (Clegg 2003a; Clasen 2005) have found that, in the area of family allowances, the overall direction of change is towards expansion (i.e. raising levels and expanding coverage) rather than contraction. Furthermore, Atkinson and Micklewright (1989) report increases in the benefit rates (for instance in the form of indexation) for unemployment and assistance benefit in the 1980s in the UK, and Hytti (2001) found reforms implementing less conditionality (such as exemption of obligation from seeking work by introducing early retirement programmes) for elderly people in Finland in the mid 1980s.

Based on this discussion, and in order to analyse benefit reform – not only whether and what kind of changes occur, but also how they precisely change the programmes – we have chosen to employ a rather broad definition of the direction of change. When viewing changes in social security programmes and particularly in benefit rights and conditions, we suggest interpreting *less or more social protection* in case of benefit reforms. Analytically speaking, we suggest that there are three different possible directions of change of social security programmes. The first possibility, most often supported in the social policy literature and commonly referred to as retrenchment, is that the direction of benefit reform is towards **a lower degree of social protection**. In this case the reform implies less social protection with fewer benefit rights and/or stricter obligations. The second possibility is the opposite of the first, that is, **a greater degree of social protection**, often referred to as expansion. In this case the reform leads to more social protection through an increase in benefit rights and/or a loosening of attached obligations. The third possibility is that reforms have **no effect** on the degree of social protection. The third option means that a reform is implemented, but it does not change the present social protection rules. Analytically, a reform to social security indicates thus a shift (or sometimes not) towards the given direction: either towards more or towards less social protection. We argue that distinguishing between more and less social protection (and in some cases no change) enables a better grasp of the complexity of implemented reforms than that captured by the concepts commonly adopted. These terms capture the direction of the change by recognizing various types of changes such as reforms to benefit entitlements (levels and duration), changes to benefit eligibility (access requirements) and alterations to conditions,



obligations and sanctions set for current benefit recipients, without being limited to certain types of changes, for instance, to merely cost containment measures. Furthermore, embracing a broad concept of direction of change, including the possibility for more benefit rights and/or less conditions, enables us to also take into account the expansion of programmes, a fact often raised by the critics of retrenchment studies (e.g. by Palier 2001a). Seeking only instances of less benefit protection would leave expansion developments (although perhaps less dominantly occurring in the field of social security provision than in the area of social services) without attention. Finally, our framework also captures reforms that change benefit structure, but lead to no effect on the degree of social protection. This enables us to analyse important reforms such as privatisation of benefit programmes that do not necessarily lead to more or less social protection.<sup>17</sup> The conceptual distinction between less and more protection (and no change) provides more instruments which enable us to better account for the multifaceted developments of social security provision than other concepts employed in the literature. Besides the question of the direction of change, the scope of reform remains a much debated issue, which deserves to be analysed further.

The scope of benefit reform: adjustments, structural reforms?

As discussed above, the leading interpretation in the literature up to the beginning of the new Millennium has been that welfare states are 'surprisingly resilient', and if any reforms can be implemented, their scope has been rather 'minor' (Pierson 1994; 2000; 2001a; Palier 2000; Kuhnle 2000). However, we have noted that studies which suggest stability are now questioned by studies (see e.g., Hall 1999: 136; Hering 2003: 2) suggesting that academic work up to the early 2000s has been considerably lacking in accounting for structural changes. We propose that the stability bias could be partly explained by the failing of contemporary literature to present clear definitions of the concepts adopted. It is surprising how often it is unclear what authors mean by 'radical' or 'fundamental' reform and where the boundaries are. Are the reforms required to change the benefit structure or not (Stiller 2007) or how large do changes have to be before they are viewed as 'significant' (Powell 2004: 18; see also Hinrichs and Kangas 2003). Pierson's (1994) distinction between programmatic and systemic reforms as well as Hall's (1993) different levels of changes come, in our view, closest to clarifying the difference between minor adjustments and structural reforms. First, Pierson (1994) sees the smaller adjustments in insurance and assistance benefit programme in the UK and the US as programmatic changes (see also Hicks 1999 for the use of notion of programmatic changes). Indeed, in his empirical work on retrenchment Pierson (1994) shows that in spite of liberalistic plans to dismantle the welfare state, both the Reagan and Thatcher administrations saw their retrenchment opportunities seriously constrained, which resulted only in limited and varied cutbacks in their social pro-

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17 It is here where the research perspective steps in, our example of privatisation is a good example for no change in the framework for benefit structure (mode of access), but when viewing the direction of benefit reform from the perspective of administrative structure, the interpretation would be quite different.

grammes, which he then calls programmatic changes. In contrast to programmatic reforms, Pierson (1994: 6) defines systemic reforms as alterations that may modify the programme in the future. However, Pierson's (1994: 6) systematic change relies strongly on the notion that systematic policy changes may increase the prospects for future changes rather than acknowledging that structural reforms altering the benefit programme fundamentally may have already taken place (similar to Bonoli and Paliers' 1998: 318 innovative reforms 'likely to have an impact of future welfare reforms'). Although Pierson's conceptualisation is understandable, since it is derived from his empirical results proposing that the reforms had been first and foremost programmatic changes (1994: 4–5), and although we are aware that policy reforms in the past can 'launch welfare states on new trajectories of reform leading to transformation' in the future as claimed by Taylor-Gooby (2001a: 182), we need to give room in our conceptualisation for the possibility of structural reforms occurring already (we will give substance for this claim shortly). Second, an often used conceptualisation of the various levels of changes was presented by Hall (1993; see also its revision by van Kersbergen and Hemerijck 1999) who distinguishes three different levels of policy change (1993: 278–279): changes in instruments, instruments and settings, and paradigms.<sup>18</sup> Hall's (1993: 278–279) first order change comprises changes to the settings of the basic instruments, while the overall goals and instruments of policy remain the same. An example of this is when the instrument settings are changed in the light of experience and new knowledge. Hall's second order change modifies both instruments and settings, but the overall policy goals remain the same. Finally, the third order change comprises simultaneous changes in all three components of policy: the instrumental settings, the instruments themselves, and the hierarchy of goals underlying policy. Whereas Hall's first order change posits the fine tuning of instruments (adjustments), his second and third order changes point towards radical reforms changing the benefit structure. Although we acknowledge the value of Hall's classification since it includes the possibility of ideational change (change of paradigm or the guiding principles), we argue (see also van Gerven and Beckers 2009), that the problem with Hall's theory is that it posits that a change in the hierarchy of goals (third order change) is necessarily preceded by minor adjustments in instrument (first order change) as well as configuration of the policy settings or techniques (second order change). Evidence from empirical analysis (extensively discussed in van Gerven and Beckers 2009), however, shows that this is not always the case: in the case of unemployment insurance reforms, we observed elsewhere changes in policy goals, but not always in the instruments and/or settings. Ideas (goals) can be changed first, and adjustments in instruments, and/or settings can begin to evolve. Therefore, to include a possibility of structural reform already taking place and to distance ourselves from making assumptions of the order of change, we adopt two new terms; adjustment and

18 Kees van Kersbergen and Anton Hemerijck (1999) have revised Hall's threefold classification and proposed to identify an intermediary type of change between instrumental and paradigmatic change: what they call "institutional change", a change when a basic institution of welfare system is reformed, such as privatization of public service, or a change in the financing mechanism (taxes replacing social contribution for instance). The institutional reforms are focused on institution, without explicitly mentioning the goals, but usually they also imply a change in social policy goals. Therefore, they could be associated with three order changes, but incremental ones.

structural reform. Additionally, we will also distinguish between scope of change as a result of a single reform and as a series of reforms over time, as discussed below.

Analytically speaking, we distinguish two degrees of scope: **adjustment** and **structural reform**. Different concepts have often been used for similar purposes, but basically a line is drawn between adjustments (more or less minor) and reforms that alter significantly the structure of a benefit. In the present study, structural reforms are supposed to take place when the principle or principles embedded in the benefit programmes are altered. Here we refer to the three basic redistributive principles underlying European social protection programmes (Clasen and van Oorschot 2002b; 2003): need, insurance, and universalism. In the social policy debate, this threefold typology is rather common, and one often sees these general principles termed differently: as the principle of selectivity (need), the contributory, equivalence, reciprocity, or insurance principle (equity), and as the principle of equality (universalism). Under the *principle of need* the assumption prevails that people should be allowed or given resources according to their needs, and that true need is often (but not always) measured with a means-test.<sup>19</sup> Since, according to the needs principle, redistribution should provide benefit only up to subsistence level, it aims first and foremost at poverty relief. The *insurance principle* demands (re)-distribution according to individual merit, and therefore contributions in some form (insurance contributions, work history record etc.) are a prerequisite for eligibility of insurance benefits. A characteristic of the insurance principle is that it aims at maintaining the status quo and the risks included are generally those associated with the labour market. For the insurance principle, authors commonly make a distinction between Bismarckian and Beveridgean insurance, where the former refers to insurances with a tight link between contributions and benefit, and the latter to insurances with flat rate benefits and contributions which are propertied to earnings. Finally, the *universalism* principle declares that all people (citizens) should have equal resources. Universal benefit programmes thus tend to provide standard universal flat-rate benefits, often at a moderate<sup>20</sup> level in order to provide basic security. Examples of such are, for instance, traditional national pensions that provide cash transfers for all citizens in the country. The aim of the principle of universalism is not only to relieve citizens from neediness, but to pro-actively promote equality and well-being. Although the classical principles of social security discussed above are often linked to certain benefit programmes, i.e. the insurance principle is central to insurance benefit programmes, the needs principle to social assistance programmes, and the principle of universalism to universal benefits, we should be aware of the fact that actual social security systems contain competing and contradictory elements and benefits based on different principles which can coexist within a single system (Bolderson and Mabbett 1995). For instance, some programmes can

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19 Although the needs principle is commonly linked to rather negative aspects such as means-test prohibiting access to benefit, we consider that European social security programmes also embed positive need-test elements. For instance, supplements for people in true need, for instance, child supplements, which raise the level of benefit for those claimants with children (and therefore with higher expenses than childless couples) are in our eyes clearly a representation of positive needs recognition.

20 The varied rates of flat rate benefits are applicable at times and at times may also be generous.

consist of a primary and a secondary component, such as the unemployment benefit programmes in the UK, the Netherlands, and Finland, which are dual systems of insurances for workers and means-tested assistance for (some) other unemployed. Benefit programmes can also be ‘hybrids’ in the sense of incorporating instruments which are usually associated with different principles. An example is the Finnish national old age pension that provides universal old-age pension coverage, but which also contains a means-test on claimants’ other pension income. Furthermore, many insurance programmes contain supplements for families with children, which also incorporate a needs-based element to the insurance programmes. Therefore, following Clasen and Van Oorschot’s work, we claim that, rather than merely concentrating on the label of a programme, its specific design features are important indicators for the assessment and changing relevance of principles and thus of the character of programmes (Clasen and van Oorschot 2002a). In our examination, a structural reform means that reform(s) change the guiding principles of programmes. For instance, if a needs test is introduced into a universal or insurance programme, we regard this as a structural change, since it changes the fundamental character of the programme. Or, if a universal access to benefit is changed for people satisfying a certain contribution record, we consider this a structural reform. A structural change occurs also when an insurance programme, aiming at income replacement (in the pure Bismarckian manner) is changed by implementing an obligation for jobseekers to actively seek or accept work if this obligation did not exist in the previous benefit rules. The same applies also for needs tested assistance if the receipt of assistance did not previously require claimants to work. In our view, a structural change also occurs if a (needs-based) supplement (e.g., for children) is abolished from insurance programme. Last but certainly not least, we suggest that structural reforms are changes that specifically alter the principle for all claimants. There are certainly enough examples of reforms that affect merely a group, such as raising the age limit for benefit, freeing certain groups from the obligation to seek work etc. Although these reforms might perhaps have a strong impact for these groups, from our institutional perspective, they are not fundamental enough to constitute a structural reform. Reforms that leave the fundamental character, or the guiding principles, of the benefit programme intact and merely generate more or less of the same, are therefore viewed as adjustments.

One must, however, keep in mind that the question of scope can be addressed in two ways, 1) for each reform separately and 2) over a (long) time period for a series of reforms. In order to make claims on welfare state change, the latter poses a serious test for future research (a point raised also by Streeck and Thelen 2005a; Boas 2007). To start with the former (scope of each particular reform), following our definition above, we consider that a benefit reform, for instance, a lowering of insurance benefit rate from 75 to 70 per cent of previous earnings is an adjustment, since it does not crucially alter the programme characteristics, rather the benefit remains an insurance benefit related to past earnings. In contrast, abolishing an earnings-related supplement, which leads to a change that transforms the character of benefit from a benefit related to past earnings to a merely flat-rate benefit, is in our view an example of a structural change. However, in order to understand benefit reform, the question of

scope should also be approached over time (see e.g., Cox 1998; Hinrichs and Kangas 2003; Clasen 2005; Streeck and Thelen 2005a). In comparison with the scope of single reforms, the scope of reform over time has to deal with the accumulation of reforms, meaning that the total value of changes (the scope of change over time) can be more than their individual values might suggest at a first glimpse. For instance, a series of adjustments can change a considerably inclusive and generous insurance programme aiming at income replacement to an insurance programme that is far more exclusive (with stricter access conditions), less generous, and more conditional than its predecessor. Although the programme is not structurally different, the cumulative changes in an incremental process can lead to a very different programme. As in our example of the insurance programme, changes over years may lead to a programme accessible only to workers (with a long and solid working record), a much less generous (lower benefit levels and shorter duration) and much more conditional programme. Another example is a series of suspensions of benefit indexations. These rather petty reforms can sometimes be implemented even without a change in legislation, but they can ultimately lead to a very different benefit programme, namely, to a programme that no longer keeps up with the developments of welfare in society and gradually loses a poverty prevention function. In this research we will view how social security benefit programmes have been altered over time and whether the accumulations of reforms have fundamentally changed the character of the benefit programme over time. The work by Streeck and Thelen (2005a) discussed in the previous section provides us with examples of such incremental, yet substantive changes taking place. We see, however, that how illustrating these examples may be, we cannot apply them systematically across countries and programmes.<sup>21</sup> This is also not what the authors set out to do, rather their conceptualisation (of exhaustion, displacement, layering, drift, conversion) is adopted on an ad hoc basis to describe the incremental yet extensive reform trajectories in certain cases. We will, however, try to see whether (some) examples of the Streeck and Thelen's categories can be found in the present empirical data (discussed in Chapter 7).

Before moving on, we must point out that readers should be aware that structural reforms, following our conceptualisation, are fundamental when they alter the guiding principle(s) of a particular benefit programme, but all the same, they may or may not have a fundamental social impact.<sup>22</sup> This is important to keep in mind when using this conceptualisation and drawing conclusions: our conceptualisation only allows claims concerning the degree to which reforms alter the characteristics of a

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21 Furthermore, following our conceptualisation, incremental adjustments, that leave the underlying principle unchanged, can not lead to a structural reform. They can, however, change the coverage or even level of benefit programme considerably through time. To change the schemes structurally, our conceptualisation necessitates a change altering the guiding principle(s) of the benefit programme (e.g. change from earnings-related to flat-rate scheme).

22 This means that, a structural reform such as privatisation of a benefit programme, say the sickness benefit programme for workers, alters fundamentally the character of sickness benefit provision, but the impact of the reform can be considerable, depending again on the research perspective. For instance, the privatisation of benefit programmes changes considerably the delivery mechanisms of benefit, but, it may lead to very little alterations for the claimants' benefit rights regarded to benefit levels, duration etc.

programme, not the social impact of it. However, by following our conceptualisation, we can determine how programmes are reformed (with minor/major adjustments, with structural reforms, or with both), how significant the change has been over time, and how these vary between countries and programmes. By adopting this approach we can at least try not to fall into the obvious traps; for instance, ignoring the possibility of structural reform in the conceptualisation, using undefined concepts, and adopting too short a period of analysis to capture the scope of reform over time. In addition, as argued above, one must consider also a possibility that not all countries or programmes are necessarily equally affected, rather readings from literature discussed above suggest that some countries/programmes/groups may be more resilient than others. Such insights guide researchers to view welfare state change from a comparative perspective. Adopting a comparative perspective encourages us to participate in the important discussion of the overall direction of change in Europe, namely, the debate on convergence as our final point of theorising benefit reform.

#### Benefit reform among European countries: Convergence or divergence?

We see that the convergence/divergence debate suffers from a conceptual confusion (as observed also by Kautto and Kvist 2002; O'Connor 2007). As discussed earlier in section 1.3, the differences in the levels of analysis when viewing change across countries may lead to ambiguities. We follow the conceptualisation of convergence and divergence as a process of becoming respectively more similar, and/or more different respectively, across units over time (used e.g., by Knill 2005; O'Connor 2007). In the present research, we define *convergence as a process where social security programmes are becoming more similar over time. Divergence occurs in our view if social security programmes are becoming more different over time.* As stated in section 1.3, it is crucial to be absolutely precise as to the aspects of policy being compared to ensure cross-national equivalence. The data employed in the present study, the national social security acts (discussed in Chapter 2), enable us to make empirically testable claims on convergence/divergence *at the level of social security benefit programmes (policy outputs)*, and this will be the level of analysis for this study. This interpretation level for convergence can however have consequences for the results even at this level of analysis, as discussed earlier: convergence at one level, for instance at the level of higher analytical/policy level, can be demonstrated, but yet at the same time, a divergence at another level, for instance at lower analytical/policy level, can prevail. This means that based on our level of analysis, convergence can be proposed if the countries' policies have approached each other in some area, for instance, if, at the level of policy goals, we can detect that benefit rights have been made more contingent on willingness to participate in activation measures in all countries investigated. This does not mean that countries must implement exactly the same instruments to achieve this, but that convergence of policies occurs if activation of benefit recipients through national instruments has increased in all countries. In our view convergence should thus be seen as a move from different position towards some common point, not a process of countries becoming alike (Bennett 1991: 219). In this particular example of activa-

tion, it is most likely to be expected that we find indeed divergence at another level, for instance for policy instruments.

#### *1.4.2 Measurement*

The preceding section highlighted that the conceptualisation of benefit reform is important, but equally important for advancing the knowledge of benefit reform is the empirical measurement of benefit reform. To address this problem, we argue that analysts need to investigate complex institutions such as social security programmes from a comparative perspective and with data that allows detailed analysis and captures the nuanced reality of welfare state change (Green-Pedersen 2004; Clasen and Siegel 2007). The methodological problem, as addressed below, is that classical indicators of change rarely meet these standards. The dependent variable debate as an issue of assessment also clearly demonstrates that asymmetries in research results (i.e., is there retrenchment or not) may arise from the adoption of different research approaches. The following section explores the different parameters of benefit reform used in the literature. First we examine the three most commonly used approaches to investigate welfare reform: 1) social expenditure data, 2) social rights indices, and 3) institutional architecture variables.

##### Social expenditure

One classical indicator for measuring reform in welfare states and benefits is the change in social spending (see for such studies, e.g., Greve 1996; Gough et al. 1997; Hicks 1999; Castles 2001; Huber and Stephens 2001). The data generally include the level and variation of national social spending, in total or for specific benefits, as a percentage of the Gross Domestic Product (GDP). What studies using spending data commonly indicate, for instance on the basis of the OECD spending data, is that, with the exception of a few countries such as the Netherlands and Ireland, national levels of social expenditure have increased and also converged between 1980 and recent years (Castles 2004). Earlier work using expenditure data also tended to indicate convergence among different countries (see e.g., Wilensky 1975; Flora 1986). Although the aggregate social spending data is popular among social policy analysts, it causes ambiguities in international comparisons, some of which are shortly discussed here. One disagreement in the field of social policy research is that expenditure data seems to indicate convergence upwards with almost no evident sign of retrenchment and only limited evidence of major structural transformation. There are, however, notable cross-country differences indicated by those studies using GDP as proxy: Great Britain seems to have faced more reforms than anywhere else in the EU, whereas Germany appears to remain the least adjusted (Castles 2002). Perhaps the most fundamental

problem derives from the obscurity of what the data actually indicate.<sup>23</sup> Several authors (Clasen 1998; Korpi 2003a; Siegel 2003) conclude that the use of aggregated data does not demonstrate that increased (or decreased) social spending ratios are primarily the consequences of strategic choices. An increase in social expenditure, as referred above, can as well be caused by an increase in the number of benefit recipients, that is, growth in welfare dependency, or by an increase in benefit generosity (level, duration). These two possibilities are very different from each other. Furthermore, using social expenditure as a percentage of GDP as an indicator of welfare effort has the disadvantage that the percentage also depends on the changes in GDP. This means that, in a situation where spending on social provisions remains the same, but the GDP increases (for instance due to a rise in exports), social spending appears to decrease. This could be interpreted as a sign of retrenchment even though social spending may remain the same. By means of sophisticated techniques of statistical analyses some of these ambiguities have been solved, and comparative researchers have control of more factors (institutional structure) and variations, which enable them to 'standardize' and 'adjust' results by using social expenditure data (Siegel 2002). Regardless of improvements in comparative data and the use of more sophisticated techniques, scholars (e.g., Clasen 2005: 17; see also Kühner 2007) argue that social expenditure remains a poor indicator of welfare reform, even at the most disaggregated level. Significant results at the overall expenditure level (upwards convergence, no retrenchment) seem to lose their implications when viewed in more detail. For instance, even though Pierson (1994), found no evidence supporting the hypothesis of social policy cutbacks based on the UK spending levels, a closer analysis by Carroll (1999) of benefit levels tells us a completely different story: levels of unemployment benefits have been cut dramatically in the UK. Moreover, whereas Castles (2002) found that programme-specific expenditure data reveals only modest change in continental Europe, several studies (Palier 2000; Lessenich 2003) have indicated a considerable degree of change in benefit entitlement rules, benefit administration, and financing (elaborated in the next section). One can argue, as Clasen (2005: 18) does, that even 'if analyses of aggregate spending indicate no observed systematic retrenchment, this does not mean that either social rights or institutions remain unchanged'. These conflicting results have made it clear that to make progress in comparing benefit reforms, it is necessary to acknowledge the national differences, which lie behind aggregated measures of welfare state effort.

In short, although relatively easily available, expenditure data is considered to be a poor indicator of welfare and benefit reform. Perhaps the most serious problem with aggregated expenditure data in our view is that it does not capture change. As King

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23 Specific statistical dilemma arises from the differences in national tax treatments. In some countries social security benefit are taxable, whereas in others they are not. The expenditure data often ignores also that benefits can take a form of tax relief, for example, as child deduction or low wage working tax credit (especially in the UK). For instance, Adema (1999) has demonstrated the relevance of accounting for the impact both taxation and private (mandatory or voluntary) arrangements on the share of GDP paid to recipients of social benefits. The study indicates that differences between levels of social effort in 13 OECD countries are less pronounced than they seem to be in a restricted analysis.



(1981: 316) has argued, aggregate studies viewing broad correlations between economic development and indices of public policy' in some ways resemble photographs taken from a high-flying aircraft: the main features stand out, but much detail is lost – and the lost detail may be important'. The need for detailed observations was also highlighted in our previous section. Expenditure data also falls seriously short in explaining welfare state change since it views only welfare effort. Indeed, levels of governmental spending tell us very little about how social security provision has changed. Therefore, scholars have started to investigate benefit reform with other types of indicators, often with social rights indicators, in order to capture more details of welfare reform. Green Pedersen (2004) divides the social rights studies into two research traditions: studies using quantified social rights indices and those viewing changes in the institutional architecture. The difference here is that, social rights indices are quantified measures build from qualitative data on programme characteristics, the institutional architecture variables approach focuses on those characteristics directly.

#### Quantified social rights indices

The quantified social rights indices approach focuses upon typical features of benefit characteristics, such as the degree of coverage of the programme, qualifying conditions regulating access to benefits, the number of waiting days, the length of benefit period, and the replacement rates indicating the amount of benefit paid. Typical for this approach is that these features are quantified to be used in comparative research. One of the most well-know users of the social rights indices is Esping-Andersen (1990) who created his de-commodification index from social rights indices and used it in his prominent classification of three different welfare state regimes (for a detailed discussion of this index, see e.g., Scruggs 2005; the index has later been used in numerous empirical studies, see e.g., Huber, Ragin and Stephens 1993; Hicks 1999).<sup>24</sup> Authors using social rights indices commonly report more significant changes in welfare state provision than their colleagues using expenditure data.<sup>25</sup> For example, Korpi (2003a) indicated that since 1975 citizenship rights in three main social-insurance programmes have changed in ways that must be described as considerable retrenchment, and that (2003b: 590) 'the cold star of permanent austerity therefore guides governments of all political shades to attempt cuts in social expenditure'. Also Carroll (1999) found, by using Social Citizenship Indicator Project (SCIP) data, clear cutbacks to social rights in his cross-national research on trends in institutional aspects of unemployment insur-

24 Generally speaking, the central questions for researchers using social rights indices have been about who get what and on which terms, what is the level and generosity of benefits, who is entitled to benefits, how are benefits financed? (See e.g., Palme 1990 for study of old-age pensions; Kangas 1991 for sickness insurance; Wennemo 1992; 1994 for family allowances; Carroll 1999 for unemployment benefits; Sjöberg 1999 for financing of social security; Montanari 2001 for convergence; Nelson 2003 for social assistance)..

25 Esping-Anderson used the Social Citizenship Indicator Project (SCIP) data conducted at the Swedish Institute for Social Research (for a detailed description, see e.g., Korpi 1989; Palme 1990; Kangas 1991; Carroll 1999). In addition to benefit programmes discussed, Esping-Andersen also quantified indexes for pensions (1990: 54). For the sickness and unemployment benefits of 16 countries he gave scores for replacement rates, number of weeks of employment required for entitlement, number of waiting days, and duration of benefit payment.

ance (by using variables such as organization, coverage and replacement rates). Similar results are found also in studies using the Comparative Welfare Entitlement Dataset, a data set of indices collected by Scruggs (2004b) that among other things allows scholars to examine benefit generosity over time. Providing independent calculation for each year between 1971–2002, Scruggs (2005: 16) reports signs of retrenchment in many countries from the mid 1980s. He proclaims that after becoming more generous during the 1970s and early 1980s, even social democratic regimes, committed to extensive and generous welfare provision and services, have converged considerably downward towards other regimes. Montanari (2001), specifically looking into the convergence across countries, comes to a conclusion of convergence in social insurances since 1930 by using SCIP data. Therefore, findings concerning retrenchment are thus stronger (both in terms of direction and scope) when social rights indices are used compared to authors using social spending.

The social right indices are not free of criticism either. Quantifying social rights indices is a complex chore and is based on a number of premises and critical choices in a rather creative process of indicator building (see also Siegel 2003; Clasen and Siegel 2005). They can be seen as an improvement on expenditure data, as they take account of more national variation. However, since the analysts can only choose a limited number of characteristics in order to calculate the quantitative indices for a large number of countries and years, social rights indices can, at their best, only cover a few characteristics of benefit programmes over time. Viewing benefit reform based only on few characteristics in isolation of other developments is a limited way of analysing change and, as extensively discussed above, in order to capture the direction and scope of reform we must go beyond single parameter approaches: analysing benefit reform must consist of more observations than simply changes in benefit generosity or other similar features. Social rights indices are also problematic indicators since the quantification of programme characteristics is extremely difficult, particularly for comparative research. For example, the quantification of earnings-disregards for benefits, integral for analysing means-tested provision, is problematic since such instruments are closely related to other national economic parameters, such as minimum wage, purchasing power etc. Furthermore, how can one quantify the discretionary supplements for those accepting work or training, or other sorts of incentives or compulsions for work (such as the actively seeking work test) embedded in the social provision for the unemployed? Or how to take into account in a single parameter such as benefit replacement rate that the actual rate can depend on various conditions, such as the age of claimants and work record. It is true that social rights indices give more substance of how benefit provision has been changed than expenditure data, but constructing social indices remains in our view a limited way to investigate reform. For instance, average measures may have been unchanged, but there might be substantial changes in the low/high income groups, which means that the average case does not encompass these changes.<sup>26</sup> As

26 One might try to go around the problem by looking at minimum and maximum levels, but this is rarely done since most analysts use merely the average indicators. A welcomed exception is ofcourse the OECD replacement rates that look at the differences in replacement rates across redistribution lines (and distinguish between different groups of people (also between different family types) having 67, 100 or 150 per cent of average production wage). See e.g.

Myles (1983: 40) has argued, we see that the social rights indices are not indicators of what the programmes actually do, but rather what they are supposed to do under certain average circumstances. For instance, Esping-Andersen (1990: 54) calculated the replacement rates for minimum pension with regard to standard production workers who earn average wages: a ratio of the benefit to normal worker's earnings that year, both benefits and earnings net of taxes. For unemployment insurance replacement, Scruggs (2004c: 3) considered in his matrix both rates for a single person (net income for an unmarried single person earning the average production worker wage) and a family (net income for household with an average production worker wife, dependent spouse and two dependent children, aged 7 and 12). In reality, however, people are seldom average and such standardisation can lead to what can be called empty indicators, that is, indicators that do not tell much about reality. For instance, in a post-modern society fewer and fewer people are doing standard production work (see e.g., Sayer and Walker 1992; Rifkin 1996); changed family patterns and low fertility mean that a family with two children is no longer the average in many European countries (see e.g., Gittins 1992; Hatland 2001), and the male breadwinner model has become outdated with women no longer dependent on their partner's income, rather working (full or part time) and earning in most European countries (Pfau-Effinger 2000). Therefore, the models created by Esping-Andersen and Scruggs might not be so average after all and, therefore, the interpretations of benefit reform derived from them might be misleading. Finally, we find social rights indices unsatisfactory measures for benefit reform due to their limited scope and ability to capture the large number of simultaneous changes occurring in welfare states. For instance, Scruggs' (2004a) indicators can tell a story of how unemployment insurance benefit replacement rates in the UK were deeply cut in the 1980s, and how they have risen again in the end of the 1990s (see also Allan and Scruggs 2004).<sup>27</sup> This increase in benefit rates tells only part of the story, at the same time, access to insurance has been prohibited so that the percentage of the people receiving unemployment insurance benefits as a share of registered unemployed has dropped from 48 per cent in 1980 to only 16 per cent in 2001 (Clasen 2005: 59, Table 4.4).

In sum, the quantified social rights indicators can be useful if one wants to study specific areas of changes (such as changes in benefit rates), but they provide us with a rather limited view of what has happened to welfare provision. Owing to the difficulties of expenditure data in recognising national variations and the limitations of social rights indices in capturing the complexity of national policy trajectories, an increasing number of contemporary social policy analysts have employed a wider design to analyse the development of social rights. Some of them, including the present research, examine changes in the institutional architecture of social policy programmes. These

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Blondal and Scarpetta (1998; 1999) for using this data on their analysis of early retirement schemes in OECD countries. However, as said, even these more sophisticated measures are blind to see other developments (than merely changes in generosity) around benefit rights and conditions.

27 Scruggs (2004a) data shows that there were a progressive decline in generosity between 1980 and 2003, but whereas the average replacement rate in 1980 (54.6) was first cut to 26.9 by 1995, it was thereafter raised to 36.7 in 2003.

studies analyse policy outputs in European countries, and generally use a wide range of indicators including the forms of governance, coverage, eligibility rules, benefit level and duration, obligations on the part of benefit recipients, financing mechanism, administrative structure, and implementation agencies and so on.

#### Qualitative institutional architecture of social policy programmes

Some of the indicators used in the institutional architecture approach resemble the ones used in the social rights indices discussed above. The primary difference is that during the quantification process of social rights indices much of the details are bound to be lost as the goal of social rights indices is to have standardized and comparative indicators. With the qualitative institutional architecture approach more characteristics related to administration, financing, delivery, and/or implementation of the benefits can be employed and researchers using this approach have, at least in principle, access to more details of programme characteristics. The result can be a more detailed view of benefit reform. But the disadvantage is that in return for the details needed to capture such a complex phenomenon as benefit reform, researchers using institutional architecture are not able to make strong generalisations nor are they able to utilise deductive reasoning due to a limited number of countries and un-standardised indicators. Nevertheless, in order to understand what has happened to the welfare states in Europe we need to comprehend the dynamics of reform and to view country reforms in more detail as emphasised many times in the preceding sections. Only then, it is possible to analyse the nuanced reality of benefit reform.<sup>28</sup>

Some of the qualitative institutional architecture studies are single country examinations.<sup>29</sup> Even though such volumes provide us with interesting information on complex national systems, their value remains limited for understanding benefit reform in Europe as they contain no element of country comparison. Even when theoretically based, single case studies provide very ad hoc evidence for their claims. Although the number of volumes applying a comparative perspective is increasing, in-depth analyses are rare. Next, we take a look at some of the main comparative research studies (as listed in Table 1.2, p. 51).

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28 We do not want to claim that the institutional architecture approach is superior to social rights indicators. We acknowledge that social rights indicators are theretically derived indicators, and a correspondence between theory and dependent variable is relevant. What we do claim, however, is that if one wants to view the nuanced reality of benefit reform (changes in both rights and conditions of benefit programmes) as we do, we need as much in-depth information as possible about the reforms to capture the multidirectional changes taken place in Europe.

29 For instance, Hills (1990), Lowe (1993), Howard (1994), Glennerster (1995), Wikeley (1995), Atkinson and Mickleswright (1989; 1991), Alcock (1999), the authors of Harris' book (2000), and Clasen (2003) have interestingly sketched out the situation in the UK, similarly the work by Visser and Hemerijck (1997), Van Oorschot (1998b), van der Veen and Trommel (1999), Pennings (2002a; 2003) or Noordam (1999; 2004a; 2004b) are important sources for the Dutch programmes, and Vähätalo (1988), Van Aerschot (1996), Kosunen (1997b), Alestalo (2000), Julkunen (2001) and Saari (2001) provide important examples for this in Finland.

Comparative studies have demonstrated that changing contemporary social security institutions is a complex matter, since the social security benefit programmes vary at least as much within countries as they do across countries. Even though such studies report more change (in direction and scope) than, for example, studies using social expenditure data, any evidence of fundamental retrenchment or dismantlement of the welfare state in the qualitative institutional architecture literature is rare. In the reform of social security, it is suggested that countries follow a national route (Kuhnle 2000; Clasen, Kvist and van Oorschot 2001), supporting the path dependence thesis. However, the research also shows that there are 'European trends', for instance the increase in more needs-based social security and to some extent a strengthening of the insurance tradition (Bolderson and Mabbett 1995; Bolderson and Mabbett 1996; Clasen and van Oorschot 2002b; 2003; Clasen and Clegg 2003b; a), which would speak of convergence, at least at the level of outcomes. With regard to the direction of reform, detailed analyses indicate that benefit reform in Europe takes many forms. In addition to tightening benefit access, levels and duration (Ploug and Kvist 1996; Heikkilä and Uusitalo 1997; Bonoli and Palier 1998; Palier 2000; Clasen, Kvist and van Oorschot 2001) and more targeting of provision (Bolderson and Mabbett 1995; 1996; Bendix Jensen 2004), other kinds of reforms have been implemented, which are difficult to capture either with social expenditure or with social rights indices. For example, commentators report on changes in the balance between (tax subsidised) private social protection and statutory provision (Adler 2004), the introduction of new forms of (work) conditionality attached to benefit access (e.g., Clasen, Kvist and van Oorschot 2001; Clasen and Clegg 2003b; 2005; 2007), or increase in recipients' obligation to improve their chances on the job market through various activation programmes (e.g., Hanesch and Balzter 2001; Hvinden, Heikkilä and Kankare 2001; Trickey and Walker 2001; van Oorschot 2001). The direction of change is commonly suggested to be towards less social protection and more conditions. With regard to the scope of reform, very few qualitative analyses contribute to this discussion, and therefore fewer robust and evidence-based conclusions can be drawn. Bonoli and Palier (1998) belong to the minority of authors who say anything about scope. Deriving from legislative reforms in the UK and France, they show that structural, or innovative as they call them, changes have been implemented in the 1990s, which provide new patterns of opportunity *for the future*, and possibly more radical reforms (Bonoli and Palier 1998). Although these studies come up with more details on benefit reform, with the exception of the scope of reform, much qualitative work so far is considered (see e.g., Castles 2002: 614) to suffer from certain shortcomings such as having a limited number of countries, few benefit programmes, a too short time period, and (poor) quality of data. We were inspired by such condemnations and tried to develop our research agenda so that we could, as far as possible, avoid the gaps found in contemporary research. Our research agenda is discussed further in Chapter 2.

**Table 1.2.** *Comparative studies on changing social security provision.*

Author	Countries Included	Time period	Programmes	Programme characteristics	Main conclusion
Bolderson and Mabbett (1996)	UK, NL, FR, DE, US, SE	1985–1995	Unemployment benefit, disability benefits, social assistance	Reforms in targeting: changes in membership	Increased targeting: especially for means-tested provision, less for insurance
Bonoli and Palier (1998) Palier (2000)	FR, UK	1986–1998	Pensions, health insurance	Changes in more of access, benefit structure, financing, and actors	New patterns of change, can provide opportunities for future (radical) reforms
Clasen, Kvist, van Oorschot 2001	7 EU countries incl. FI, UK, NL	1998	Unemployment insurance and assistance	Benefit access, level, duration and obligations on benefit recipients (prior access)	Strict access, work-relatedness, variation in benefit generosity, Divergent Nordic model
Hvinden, Heikkilä, Kankare (2001)	16 EU countries, incl. FI, NL, UK	1990–1997	Social assistance, unemployment benefit	Eligibility conditions	Tighter rules for eligibility, lower benefits, increased activation
Clasen and van Oorschot (2002b; 2003)	UK, DE, NL, SE, FI, DK	1980–2000	Unemployment benefit, social assistance, pension	Changes in eligibility and entitlement	Strengthening insurance principle, growing needs test
Clegg (2003a; 2003b) Clegg and Clasen (2007)	UK, NL, DK, FR, DE	1980–2000	Unemployment benefit, social assistance, family allowances	Changes in levels and levers of conditionality: changes in eligibility and entitlement rules	Changes in eligibility and entitlements, emergence of new forms of stricter conditionality
Timonen (2003)	FI, SE	1990s	Unemployment benefit, social assistance, public health and social services	Reforms restructuring the benefit programmes	Universalism weakened, increased means-testing, but no notable retrenchment
Bendix Jensen (2004)	UK, DK	1990–2002	Unemployment benefit, social assistance, family allowances, retirement pension	Reforms targeting (eligibility and entitlement, means, and financing)	Increased targeting

Note to the Table: we use in the table the official short names of countries in English as given in ISO-3166-1 (<http://www.iso.ch/iso/en/prods-services/iso3166ma/02iso-3166-code-lists/list-en1.html>, 15.12.2006).

Next we consider the studies discussed above with reference to the present research and how we have tried to improve our qualitative work by adopting more countries, more programmes, a longer time period and using primary sources. A review of the research in the field of qualitative institutional architecture as depicted above in Table 1.2 indicates that the number of countries in the studies varies considerably. Some studies investigate a number of countries, for instance, Bolderson and Mabbet's (1996) study on reforms in the targeting of social security (with reference to eligibility conditions in 1985–1995) included six countries (UK, NL, FR, DE, US, SE), Clasen and van Oorschot's (2002b; 2003) studies on changing social security principles for unemployment benefit, social assistance and pension comprised of reforms to eligibility and entitlement conditions in six countries (UK, DE, NL, SE, FI, DK) between 1980–2000, and Hvinden, Heikkilä and Kankare (2001) go as far as having 16 countries in their analyses of eligibility conditions for unemployment benefit and social assistance in 1990–1997.<sup>30</sup> More often, however, the number of countries employed in the studies remained limited. For instance, Giuliano Bonoli and Bruno Palier (1998; Palier 2002) investigated changes in benefit administration (state, social partners, local authorities), financing (social contributions, general taxes, co-payments), type of benefit (flat-rate, earnings-related, means-tested) and the mode of access (citizenship-based, contribution-based, needs-tested) between 1986 and 1998 in two countries, France and the UK, for pensions and health insurance benefits. Virpi Timonen (2003) has looked into restructuring of Finnish and Swedish welfare states in unemployment benefit, social assistance, and public health and social services in the 1990s, and Jan Bendix Jensen's (2004) dissertation comprised of a two country study (UK, DK) about the targeting of social security unemployment benefits, social assistance, family allowances, and retirement pensions in 1990–2002. In contrast to these two-country-comparisons, Jochen Clasen and Daniel Clegg's (Clegg and Clasen 2003) in-depth analysis looked at five countries (DE, UK, NL, DK, FR) between 1980 and 2002 to assess the levels and levers of conditionality in eligibility and entitlement rules of unemployment benefit, social assistance, and family allowances.<sup>31</sup> However, the literature often illustrates a trade off between number of countries and details, namely that the more countries or programme (characteristics) studies embedded, the less in-depth the study. For instance, the framework employed by Bruno Palier (2002) is very useful in capturing general developments in four dimensions of social protection programmes, administration, financing, type of benefit and mode of access. Thus it integrates important input dimensions such as financing and management, which are often neglected in contemporary comparative research. However, as was also noted by Clasen and Clegg (2007), Palier's approach captures only rather large-scale structural changes, for instance, a replacement of an earnings-related insurance with a means-tested benefit. Such an approach fails to capture changes in hybrid benefit

30 We consciously do not employ the term case study in our research, which refers to only studies including a very limited number of countries. In principle, the number of countries that can be added in the qualitative institutional architecture approach is not limited, but for practical reasons (discussed shortly), generally, only a few countries and programmes can be selected to keep the research feasible.

31 In their recent publication (Clasen and Clegg 2007), the authors concentrated on one programme (unemployment benefits) in the UK, Germany, France and Denmark 1980–2004.

constellations (e.g., change of needs-tested elements in insurance benefit programmes) as well as adjustments in an incremental process, and can therefore lead to misinterpretations of the scope of reform as we discussed extensively in our section on the scope of reform. Studies embedding many countries commonly employ only secondary sources, which are bound to give a simplistic picture of national programmes and their reform. For instance, authors such as Hvinden, Heikkilä and Kankare (2001) used OECD data to determine the changes in eligibility criteria and conditions for continued receipt of benefits in 16 countries, rather than using the primary sources. The current qualitative data sets on social security programmes, for instance, the European Commission's Mutual information System on Social Protection (MISSOC), ILO's Social Security Worldwide (SSW), US information by Social Security Administration (SSA) or Social Security Throughout the World (SSTW), tend to concentrate on rules and regulations (qualifying conditions, entitlement, benefit level, duration, etc.) and on general financial and administrative information at a particular point in time. These data sets, although available for some years now, suffer from a lack of detail, and are often vaguely defined. For example, eligibility in the Missoc dataset is often defined as being based on certain conditions of previous activities and means. These sources only stretch back to 1990 (MISSOC), or some even shorter period (SSW to 1995). Furthermore, the database of the Foundation Rodolfo Di Benedetti covers reforms in social insurances and unemployment protection in 15 European countries over the period of 1987–2005 (<http://www.frdb.org>, see also Boeri 2005). It also makes a distinction between direction and scope. Although clearly an improvement in comparison with many other datasets, the FRDB Social Reforms Database merely views reforms with regard to (qualitative) changes in limited areas of benefit rights: change in direction is based on observations whether the change increased or decreased generosity and change in scope views whether reform is marginal or radical (reduction or increase of rates by 10 per cent). Other developments in social security benefit rights are left untangled. The use of secondary sources such as articles and national studies and some qualitative datasets for fast access to data can be helpful for comparing the main characteristics of countries and perhaps a necessity for researchers including a large number of countries, but such data is ultimately insufficient for capturing the nuanced reality of welfare state change. From the studies outlined above only the work done by Timonen, Bendix Jensen and Clasen and Clegg systematically employed primary sources. Unfortunately, two of these studies cover a rather short time period. As discussed earlier, to study benefit reform and to capture the patterns of change, a relatively long time period is required. Timonen looked at the reforms implemented only in the 1990s and Bendix Jensen only between 1990 and 2002, which we believe to be too short for capturing benefit reform, since their research did not cover the 1980s, the start of 'permanent austerity'. Furthermore, a decade seems not long enough since adjustments often take a long time period in order to become visible and assessable (as argued also by Streeck and Thelen 2005a). Only Clasen and Clegg analysed here benefit reforms for a period of more than two decades (1980–2005). Furthermore, their focus is on somewhat similar indicators of reform as we intend to use in the present research, that is, changes in eligibility and entitlement rules for unemployment and social assistance, and they include some of the same countries



(UK, and in their earlier versions also NL). However, there are fundamental differences between their work and the present research. First, Clasen and Clegg's conditionality approach (see e.g., Clasen and Clegg 2007) is, in our opinion, rather narrow in order to capture the direction of benefit reform. By focusing only on qualitative change and illustrating merely instances of tightening or relaxing benefit conditionality, Clasen and Clegg can only assess the modifications in conditionality and not other forms of changes underpinning social security provision, for instance, changes in benefit level and duration. Their approach is intended only to serve as a complementary measure to other indicators such as social spending or social rights indices. Of course, shedding light on the qualitative changes is a valuable contribution in itself, but in our view there are too many weaknesses underlying such indicators (GDP, but also replacement rates) as discussed earlier, to employ them without considerations to the reality of welfare state change. Even if combining these indicators with more qualitative data, one should be aware of, and try and compensate for, the problems underlying the indicators (as was extensively discussed above). Although we share Clasen and Clegg's inability to declare anything about the institutional structure through which benefits are delivered or financed, our approach examining both the *rights and conditions* related to benefit receipt allows us to draw conclusions about the changes in benefit generosity as well as in conditionality attached to benefit receipt. Our data does not allow us to compare generosity cross-nationally, since we do not control for other national factors (tax system, living costs), but it allows us to make statements about the trajectories of changes related to benefit rights, that is, how benefit entitlement have been altered over time in these countries (have there been rate cuts, supplements introduced/abolished etc). In other words, we can, by describing the benefit reforms implemented, illustrate how benefit entitlements have been reformed in key areas in selected countries. Our approach does not limit our interpretations to a specific case (for instance, to average workers), rather our data describes the policy reforms as they are legislated. Second, Clasen and Clegg (2007) assessed the direction of change (tightening or relaxing conditionality), but not the question of scope, matter touched upon in the present study. Third, Clegg and Clasen (see e.g., 2003) used the legislative information in a slightly less ambitious way. They intended to derive from the legislative information what they meant in term of conditions, and did not describe the reforms in any great detail, or try to explicitly situate them historically (although in the volumes by Clasen 2003; Clasen and Clegg 2003b more profound attempts are done in this), which we have done in the present research. Our research can thus give an in-depth description of the reforms, and improve knowledge of the various ways of reforming benefit programmes in the selected countries, a necessity that was also highlighted in our theory informed framework in section 1.3.1.

All in all, although being a necessity for understanding the various developments around the welfare state, in-depth qualitative work on benefit reform from a comparative perspective remains relatively rare. The use of primary data and of detailed description remains even rarer. The fact why there are so few in-depth studies with a long time period and multiple cases (countries or programmes) can often be explained

by the practical problems in conducting such research. Following Pennings' (2006) reasoning explaining the low number of comparative (socio-)legal studies<sup>32</sup>, we see that the relatively low number of in-depth studies is caused by the fact that conducting horizontal comparisons is often very time-consuming and employment-intensive since it takes several years to collect and analyse data from the primary sources. Unfortunately, academics very seldom have the time for such a labour intensive approach.

### 1.5 Content and conclusions of the study

After presenting our theoretical framework and discussing the literature on benefit reform, its direction, scope, and assessment, we can draw the following conclusions. Although welfare state institutions have been claimed to be highly resilient against change due to the path dependence of social institutions and political obstacles (veto points, popularity of social security institutions) hampering the ability of policy-makers to implement large structural reforms, a glimpse at the recent literature on welfare state change clearly shows that we should be cautious in our claims regarding the resilience of these institutions. In the words of Hinrichs (2000), the elephants might be, after all, on the move. However, regardless of the massive body of literature on welfare state change, we still have ambiguities and unanswered questions concerning the scope and direction of welfare states. Are the reforms applied to social security programmes mere contractions of benefit rights, and how much change is there over time? The literature indicates that reforms may vary across countries, programmes or even across target groups of claimants. In order to understand the issue of benefit reform, we need more conceptual clarity of the dependent variable. Fuzzy concepts of change can lead to confusion about what has happened and misinterpretation of benefit reform. Claims regarding benefit reform must be based on clear concepts, and examined against solid empirical data. We discovered ambiguities and shortcomings in both areas during our review of the literature and therefore it is necessary to keep on looking for answers to better explain the important puzzle of welfare state change.

The content of the rest of the thesis are set out as follows. Chapter 2 sets out the central research questions for the present research, views the methodological aspects behind the selection of cases and assessment of reforms, and briefly examines the data. Chapters 3, 4 and 5 present the empirical, descriptive research conducted for this

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32 As observed also by Pennings (2006; 2002b), there are only a few detailed comparative publications on social security laws available. Pennings (1990) has published a comparative study of unemployment and employment programmes in Great Britain, German, France and the Netherlands (from the 1940s to 1986) in view of the right to work and income principles. Furthermore, Westerveld (1994) has compared old-age and survivors' programmes of Great Britain, Germany and the Netherlands and Pieters (1985) has presented a comparison of the constitutional social rights in European Community. Clegg's (2003) and Bendix Jensen's (2004) works discussed above belong also to such socio-legal studies, similar to the present research. Publications including Finland remain very scarce, and even those are single country/programme descriptions (Satka 1995; Van Aerschoot 1996; Arajärvi 2002). There are studies and articles with shorter comparative studies (see e.g., Pennings 1992), but there is evidently a lack of extensive works describing the (changes) in the legislation through time. Practical problems such as language barriers also hinder data collection from primary sources (elaborated further in section 2.1).

study. Zacher and Schulte (1977: 22 in Pennings 1990) have stated that ‘A comparative study of law serves a better description, understanding and appreciation of law’. While the present study is a socio-legal exercise, the empirical analysis of present research is constructed to support this statement. In Chapters 3, 4, and 5, we describe the changes in each country separately and try to understand the changes in their national background. Zacher and Schulte’s last point (appreciation of the law) is manifested in Chapter 6, where we compare national findings across countries, programmes, and time, and try to understand our comparative findings in the light of existing literature. In Chapter 7 we discuss our main results in the context of contemporary knowledge on welfare state change and present the conclusion of the study.

## 2 RESEARCH AGENDA

In this chapter, we present the research agenda. First, we define the research questions for this study. Then, we elaborate on the choice of countries, benefit programmes, and time period, as well as the analytical framework for assessing the benefit reforms adopted in this study. Finally, we briefly introduce the data employed.

### 2.1 Research questions

In Chapter 1 we ended the discussion with the observation that in the field of benefit reform there are relatively few comparative studies that use qualitative primary data covering a time period that begins at the onset of reform, which also includes numerous countries and benefit programmes (risks). The present research will contribute to the existing studies by describing and comparing in detail benefit reforms in a number of selected European countries, for a number of social security programmes over a time period from 1980 until the present (2006). Such a research agenda enables us to capture trajectories and trends within and across countries and programmes and allows us to take part in the discussion of welfare state change and its scope and direction. In order to contribute to the analysis of welfare state research, and more specifically social security benefit reform, we raise three sets of research questions.

1. The first set of research questions aims at understanding in detail benefit reform within the chosen countries. The main descriptive questions, applied to each of the countries and each of the benefit programmes selected, are *what has happened to the social security rules in the selected countries? How have eligibility and entitlement rights and conditions been changed?* In addition to looking at these changes within a country we also investigate *whether there are similarities/differences in the ways in which benefits are reformed within programmes?* Finally, to understand the overall trajectory of development, we ask *whether we can detect trends within each country selected.* To answer these questions we describe in-depth the changes made in the institutional architecture (eligibility, entitlements rights, and conditions) of selected social security benefit programmes.

2. The second set of research questions centres round the comparative element of the study. We ask *whether there are common trends in reforming benefit rights across countries.* The same question is posed also at the programme level; *can we observe similarities or differences between countries at this level?* Based on the (non) existence of trends across countries, and based on their specific content, we are interested in finding out *whether the country systems have indeed become similar (or not), and whether we can argue for convergence or divergence?* Using the findings from the national cases, we aim at drawing conclusions on the direction of benefit reform and their scope across these countries and programmes. Chapter 6 contributes thus to the comparative analysis of benefit reform.

3. Finally, the third set of research questions links our research to the wider theoretical framework of welfare state change. We return to the hypotheses formulated in Chapter 1, and address three questions. In relation to the European trends in social security benefit reform, we ask *whether change has occurred*, and if, *what is the direction and scope of this change*. Literature suggests that the characteristics of the social security programmes may affect whether a change can take place and the scope of the changes. Therefore, apart from overall European trends, we ask *whether there are differences in the scope and direction of reforms between social security models of countries, types of programmes, and between target groups*. Our last question tries to link our empirical findings with the underlying theories, and asks *what is the meaning of our findings for the theories of welfare state change*. Therefore, Chapter 7 aims at contributing to the advancement of theory on benefit reform.

## 2.2 Research design

The present research is located in the field of comparative social policy research. It is a detailed study consisting of three types of comparisons: diachronic comparisons over time, across countries, and across programmes. We study three welfare states, the United Kingdom, the Netherlands, and Finland, in terms of what has happened to benefit rights and conditions under selected benefit programmes, namely unemployment benefit, sickness and disability benefits, and social assistance benefits, since 1980. Following the discussion in Chapter 1, we chose to use the institutional architecture approach, which analyses reforms in eligibility and entitlement conditions derived from national social security acts, which we believe best captures the complexity of national policy trajectories providing us with the most comprehensive information on what has happened to social rights and conditions under these programmes. Conducting a detailed comparative study, we do not aspire to explain welfare state restructuring in other fields of social policy, or in other European countries. This is not possible for a study such as ours that is ‘sensitive to time, place, agency and process’ (Kangas 1994b: 347). However, the results of this study can provide more insight to the trajectories of benefit reform in the selected countries and help illuminate trends in benefit reform in Europe. Furthermore, when our findings are viewed in the light of existing literature, we can also take part in the academic debate on welfare state change. The ambitious goal of this study is to inspire people interested in comparative social policy analysis to look behind aggregated and quantified measures by illustrating the complex nature of reforming social security programmes. Next we elaborate on the considerations behind the choice of countries and benefits.

### 2.2.1 Choice of countries

The present study aims at describing, understanding and comparing changes in social security benefit programmes in some European countries, namely in the UK, the Netherlands and Finland. The considerations behind the choice of countries are

mainly theoretically guided, but also, to an extent, practical. Derived from theories on welfare state change (Chapter 1), we can expect more variation in the degree of change with regard to the characteristics of particular social security models of countries. As formulated in hypothesis 5: we can expect more change in the countries adopting a basic security, targeted, or encompassing model than countries with strong state corporatist or voluntary subsidised social security arrangements. Although we share the academic conviction that categorisation of countries under an ideal-type regime or model is problematic since within one country many different kinds of institutions can co-exist (e.g. bi or tripartite administered insurance programmes, tax-funded assistance programmes as illustrated also in the forthcoming sections), we can place each of chosen country loosely under one (or more) of Korpi's models. It is reasonable to suggest that in the Netherlands, social security benefits (for the working age population) are generally provided under state corporatist structures.<sup>33</sup> Dutch social security programmes provide reasonably generous (income related) insurance benefits for workers that are financed by employers' and employees' contributions, and, although their role has recently been limited, social partners are still involved in social policy making.<sup>34</sup> In Korpi's social security models, the UK is an example for basic-security model paying modest flat-rate benefits (which can be supplemented with private arrangements), which are publicly governed. Although we understand that Korpi classified the UK, based on his selection of programmes (old-age pensions and sickness benefits) under the basic-security model, the UK can also be located, due to its strong emphasis on needs-based provision particularly underlying its unemployment provision, under the targeted model.<sup>35</sup> Finland belongs to the encompassing model which combines elements from both basic security and corporatist models.<sup>36</sup> Additionally, all countries have systems that represent the targeted model, namely the social assistance programmes. This is also the core of the problem referred above; a country very poorly fits in any one particular model. Having these three countries in our analysis, embedding both tri/bi partite and publicly governed types of social security models,

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33 In addition to workers' insurance benefit, there are reasonably comprehensive national insurance programmes available in the Netherlands. Therefore, we understand why Korpi located the Netherlands (in his work viewing old-age pensions and sickness cash benefits) under the basic security model (Korpi 2003b: 600). In our case, where we look mainly at workers' insurance (discussed below), the Netherlands fits better under Korpi's corporatist model as explained in the text. This ambiguity, however, again points to the problems one faces when trying to fit a country in one ideal model.

34 Since SUWI Act 2002, social partners are no longer directly involved in the administration of the workers insurance benefits: rather a separate CWI, Center for Work and Income (providing public employment services) was established and the benefit administration was given to the new public UWV Uitvoeringsinstituut werknemersverzekeringen (Employed Pensions Insurance Administration Agency) institution. Social Partners are nevertheless still actively involved in the governments plans related to social security benefits, and corporatism still prevails in the Netherlands (Visser 2006).

35 In principle, it does not matter whether the UK in this particular case is located under the targeted or basic-security model since the underlying assumption in Korpi's work is that both of these models are easier to change than corporatist models.

36 However, Kangas (2004: 194–195) claims, at least with respect to sickness benefits, that Finland has moved back towards basic security model. A glimpse at the realm of social security benefits in Finland (as undertaken in the next section) indicates, however, that both elements (state-corporatists as well as basic-security) are incorporated in the Finnish social security programmes.

allows us nevertheless to discuss our findings (in Chapter 7) loosely in the light of the welfare state change theories and literature discussed in Chapter 1.<sup>37</sup>

Furthermore, conducting in-depth analysis using primary sources as undertaken here is closely linked to practicalities. To be able to systematically use primary sources, we can only choose countries where we are able to comprehend the language (see also Pennings 1990: 25). The choice of countries must be based on the need to secure a high level of research excellence: (by chance) as a Finnish national currently living in the Netherlands, the author has the knowledge of the Finnish, Dutch and English languages, which gives access to primary data not readily available at an international level. To read and translate juridical information is by no means an easy chore (see e.g. Balkema and de Groot 1987 for translating problems of the law); not only is the text to be analysed in a foreign language, but juridical terminology generally differs from the general use of language in a country (see e.g., Pennings 1990). In addition to this, the legislative data can be immensely detailed. These problems do not make a comparative study impossible but one must be aware of their impact (Pennings 1990: 29). To prevent inaccurate interpretations been drawn from this vast quantity of complex data, a group of national experts read and commented on the data gathered for the present research and as our interpretation.<sup>38</sup> The choice of countries is also based on a need for a wider understanding of benefit reform in Europe. Adoption of an English-speaking country like the UK in the research design is rather common as most people can read English, whereas fewer people have knowledge of the Dutch language, and even less people understand Finnish. The fact that there are only a few number of cross-national studies including these three countries consolidates this assumption (see e.g., Kuivalainen 2004 for comparative analysis on social assistance in

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37 Additionally, at least analytically speaking, every country in our study belongs to the three different worlds of Esping-Andersen's (1990) welfare regime typology (for this, see the extensive discussion by e.g., Castles and Mitchell 1992; Goodin et al. 1999; Arts and Gelissen 2002) and can be seen to embed one of the classical redistributive principles discussed earlier: Esping-Andersen allocated the UK to the needs-tested liberal welfare state, the Netherlands to the conservative (insurance) welfare states, and Finland to the universal social democratic welfare states. With regards to the principles, elaborated earlier in Chapter 1, we note that actual social security systems contain competing and contradictory elements and benefits based on different principles which can coexist within a single system (Bolderson and Mabbett 1995). Therefore, categorisation of countries under a principle is again somewhat problematic, but it still helps us to understand the logic of redistribution in a country, and perhaps how this has changed. Furthermore, we acknowledge that all our countries have been claimed to poorly fit in any of the generally acknowledged welfare state regime: the UK is claimed not to suit the Esping-Andersen's liberal regime, some Dutch authors place the Netherlands among the social-democratic regime models (van Kersbergen 1995; Gelissen 2001), and the place of Finland within the Esping-Andersen model has not always been unanimous (see this discussion, e.g., Kangas 1994a). Moreover, in contrast to Esping-Andersen's influential typology of welfare state regimes, based on a broad set of indicators, Korpi's typology is focused on welfare state institutions, which can be seen as intervening variables, relating causes to outcomes. With these caveats in mind, we will not try to see whether our findings can in any way be interpreted in the context of the countries affiliations with specific regime types. Rather we use Korpi's institution typology (also loosely embedding the different redistributive principles) that offers in our view a more precise basis for differentiation of different types of social security models existing in the European welfare states.

38 For instance, the draft chapter on UK legislation was read by Angus Erskine from University of Stirling, the chapter for the Finnish text was read by Maija Sakslin and Katri Hellsten from the Social Insurance Institution of Finland, and for the Netherlands by Wim van Oorschot and Frans Pennings from the University of Tilburg. We offer our gratitude to our colleagues for their input. It goes without saying that any mistakes are due to our own misconceptions.

these countries).<sup>39</sup> Access to national sources is also a necessity for in-depth analysis. Only a scarce number of detailed primary sources (such as national legislation and other documents) are available on the web, which means that much fieldwork for this research has been conducted in libraries in the countries in question. Co-operation with local academic societies and national governmental agencies was therefore a precondition to successful data collection.

### 2.2.2 Choice of benefit programmes<sup>40</sup>

Based on our theoretical framework presented in Chapter 1, the characteristics of the institutional arrangements/programmes can affect whether and how much social security rights can be altered. To test the hypotheses made in Chapter 1, we must include both publicly administered programmes as well as occupationally segmented programmes. We believe that having three programmes for the working age population, *unemployment, sickness and disability and social assistance benefits* guarantees a solid empirical foundation for this discussion, since the selection provides us with both (workers) insurance benefit programmes as well as public means-tested assistance programmes.<sup>41</sup> With regard to the former, we also include both Beveridgean (basic) insurance programmes as well Bismarckian (income-related) benefit programmes. Furthermore, we have made predictions concerning the increased importance of work in the provision of social security benefits, and therefore, inclusion of different programmes for the working age population is justified. For these reasons, we expect interesting developments in the design of these benefit programmes located in the heart of employment policy as well as social policy. Below we elaborate more closely on the chosen programmes in each country.

This limitation excludes, however, other important traditional social security provisions such as pension programmes for people over pensionable age, early-retirement

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39 Kuivalainen's work on social assistance does not however view welfare reform, rather aims at a quantitative and qualitative assessment of social assistance programmes in Europe (and the qualitative study is an analysis of the rights in a particular time period (2000)).

40 In the present research only the reform of social security provision is discussed. Investigations in the other areas of welfare states, such as social services and health care (see e.g., Lehto, Moss and Rostgaard 1999 for social services, and Giaimo 2001 for health care), are also central, but, following Rainwater's (1986: 126 in Clegg 2003a: 3) claims, we see that a just redistribution of life chances constitutes the core of the welfare state's values and norms. Therefore, the analysis of social security programmes, the traditional instruments through which welfare states aim to achieve such distribution, can contribute to the understanding of changes in the core values of the welfare state.

41 Due to the complexity of national programmes, researchers conducting comparative research should be very specific regarding their object of investigation since the social security provision for similar social risks can be organised in various ways under different national programmes. For instance, whereas in the UK and the Netherlands long-term disability is considered as a task for a separate disability benefit, in Finland this cash transfer is provided under the pension programme. Furthermore, whereas in the UK and Finland general social assistance is the primary last resort benefit programme, in the Netherlands, there are programmes besides the general assistance (such as IOAW for partially disabled older workers, TW for topping up insurance benefits to the national minimum etc). Therefore, when viewing reforms in European countries special attention must be given to the national configuration of the social protection programmes. We should be careful of not comparing apples with oranges, or as illustrated above, comparing apples with only a half of an apple.



benefits, and family allowances for the working-age population. It would be beyond the scope of this research to cover all these programmes in an in-depth analysis, and therefore we have chosen to employ certain social transfers following also the mainstream comparative social policy discussion. The exclusion of pension programmes is also justified since the provision of old age pensions is commonly generated through different pillars, that is, through state-regulated, employment-based, and sometimes through private arrangements. By only looking at one pillar (e.g. state regulated programmes, but not private arrangements), as is the intention in this study, we do not gain a reliable picture of benefit reform in the area of pensions in Europe (for pension reform see e.g., Bonoli 2000; Hinrichs 2000). Furthermore, we also exclude family allowance programmes from our analysis. We consider that the family allowances are less directly linked to labour market than sickness and unemployment benefits, and therefore their analysis (for studies on family allowances, see e.g., Hiilamo 2002; 2004; Clegg 2003a) gives less substance for the assessment of the changing benefit rules for the working-(age) population. However, even when limiting our focus merely to benefits related to sickness and unemployment, we must make some further limitations on this field in order to keep the research feasible. First, we focus on state regulated benefit programmes only: the administration of the benefit can be dealt either publicly or by bi/tripartite representation, but all the programmes investigated here are publicly regulated. Income compensation provided by employers' arrangements, or private insurances are not included in this study.<sup>42</sup> Second, we do not include regional or municipal programmes, rather only programmes with national scope. This limitation is done to protect the quality of data for the comparison. Regional and municipal delivery is more commonly based on case law and the discretion of the benefit administrators, and therefore comparisons between countries are more difficult than the comparison of the programmes delivered through national social security acts. In this respect our third programme, the social assistance programmes for people out of work, somewhat breaks our rules for limitation since they are locally administered and commonly granted based on discretion of the local administrator. However, social assistance programmes are important when viewing social protection in a country: as pointed out by John Rawls (1971) and Stein Ringen (1987), societies should be judged on basis of how they treat their worst off. Therefore, social assistance benefits, paid only after all other forms of income compensation have expired, play an important role in the management of social risks such as sickness and unemployment. Third, we exclude any specific early retirement programmes available for the sick and unemployed, which move them outside of the labour market and the coverage of the specific programmes addressed here (for early retirement schemes in Europe, see e.g., Schils 2005). Fourth, only programmes for the general population of sick and unemployed workers are discussed. Programmes for which only members of special groups are eligible (for instance immigrants, civil servants, some occupational groups such

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42 The recent debate on public/private mix in the provision of social security is interesting, but so wide that it can not be included into this already broad analysis of benefit reform. For this see e.g., Hacker (2002) for the American debate, and Burchardt et al. (Burchardt and Hills 1997; Burchardt; Hills and Propper 1999) and Esping-Andersen's edited book (1996b) for the European counterpart. There is also a serious problem of finding primary data for the employer arrangements or for private insurances, another reason why we opted to exclude them from the present study.

as artists or military personnel) are not treated here. However, these selections do not prohibit discussion of the rules of selected benefit programmes, which are particular to a special category, or the effects of these programme on a category of claimants

In short, we focus on publicly regulated programmes for working age people (generally aged between 15 and 65) who, due to a specific social risk, either sickness, unemployment, or other such inability to work, cannot earn their livelihood by working. Programmes for the working-age population include cash transfers in the form of unemployment insurance and its means-tested counterpart, short-term sickness and long-term disability (hereafter sickness and disability benefits), and the last-resort social assistance benefits. Each benefit programme is summarised below as it existed in 2006. The predecessors and national specialities of each programme are discussed in detail in Chapters 3–5.

### Unemployment benefits

In all three countries, the involuntary unemployed may claim national unemployment provision. Depending on the claimants' past work history (their work, contribution, or trade union membership) record, they can either claim unemployment insurance benefits or means-tested (unemployment) allowances. As Table 2.1 indicates, the

**Table 2.1.** *Unemployment benefit programmes and their institutional characteristics included in the analysis as they existed in 2006.*

Country	Benefit programmes included	Benefit type	Administration	Financing	Arena of action
UK	Contribution-based JSA	Flat-rate insurance	Public	Contributions	Politics
	Income-based JSA	Flat-rate assistance with a means-test	Public	Taxes	Politics
NL	Unemployment Insurance Benefit (Werkloosheidsuitkering, WW)	Income-related insurance	Public (since 2002, previously bipartite)	Contributions	Politics/Labour market
FI	Basic Unemployment Benefit (Työttömyysturvan peruspäiväraha)	Flat-rate insurance	Public	Taxes (and some contributions)	Politics
	Earnings-related Unemployment Benefit (Työttömyysturvan ansiopäiväraha)	Income-related insurance	Bipartite	Contribution (employer, employee, state)	Politics/Labour market
	Labour Market Assistance (Työmarkkinatuki)	Flat-rate assistance with a means-test	Public	Taxes	Politics

unemployment insurance benefits in the Netherlands and Finland are income-related and funded from contributions. Whereas the responsibility for benefit administration in Finland is still on the social partners, their role in the Netherlands was diminished considerably since 2002, and the current WW is administered by the public authorities (UWW). In the UK, insurance benefit is publicly administered and payable at flat-rate. In addition to insurance, some unemployed persons (usually with weaker ties to labour markets) can claim means-tested benefits. In the UK and Finland, these flat-rate minimum benefits are tax financed and publicly administered. In the Netherlands, some people out of work (provided that they meet the conditions related to eligibility) can also claim general social assistance benefits (as discussed in section 2.2.3).

In addition to the general benefits listed above, there are several other programmes that may provide cash transfers for the unemployed. For instance, certain work experience or training benefits may be paid within unemployment benefit programmes, but there are also separate training or work experience programmes available that can take over financial compensation for the unemployed. This research includes training supplements only if they are paid as an addition to the general benefit mentioned above. The separate programmes, replacing the general unemployment provision are not included in the analysis, unless their introduction/change affect also benefit rights for the general unemployment protection discussed here. The same applies to in-work benefits, they are only included if they function within the benefit programme in question. Furthermore, we distinguish between early retirement programmes and unemployment benefit programmes. While both programmes might provide for an income for older persons that have not yet reached the pension age, but who have become redundant or have resigned, the difference lies in the requirements for claimants to be available to work. The research only includes unemployment protection programmes that oblige claimants to be available for work. This limitation excludes from the analysis of unemployment insurance benefits, social assistance programme (Income Support) in the UK, and particular unemployment pensions (työttömyyseläke, Unemployment Pension and other early retirement programmes) in Finland. We scrutinise the social assistance programmes later in the section of social assistance benefits. Moreover, any special provisions (such as Redundancy Pay in the Netherlands) providing a short-term income for workers in lay-off situations differ in nature from unemployment benefit, and are not included in the analysis.

### Sickness and disability benefits

Sickness and disability programmes compensate for the lack of (or reduction in) wage income due to an illness or injury. We make the usual distinction between short-term and long-term incapacity. The time-scale when short-term illness changes to long-term disability varies across countries and over time, but a current general rule today is that short-term illness continues for maximum of one year, after which long-term disability provision takes over (national examples are discussed in Chapters 3–5). During short-term sickness income protection is provided through sickness benefits.

This includes both public benefits as well as privatised sickness payments (which are considered to be the responsibility of employers), but which still operate under public jurisdiction. These privatised programmes (available in the UK and the Netherlands) are sometimes referred to as sick pay, but we define them as sickness benefits. After a specific time on sickness benefits, the long-term ill can qualify for disability benefits, which last until they reach the statutory pensionable age, or are assessed as capable of re-entering the work force.

Again, as elaborated in Table 2.2, only the Dutch and Finnish sickness benefit programmes offer income-related benefits. In Finland the earnings-related insurance programme is paid by contributions and is administered publicly. Since 1996, the responsibility of paying sick time salary was given to the employers in the Netherlands. In the UK, employers are also responsible for the payment of statutory sick pay for workers with earnings above the lower earnings-limit. For others, there is a public administered national insurance programme (IB). In the UK and the Netherlands long-term disability is covered by a separate disability insurance benefit. In Finland, this cash transfer is provided under the pension programmes. However, we considered only the Finnish national pension programme that pays publicly administered

**Table 2.2.** Sickness and disability benefit programmes and their institutional characteristics included in the analysis as they existed in 2006.

Country	Benefit programmes included	Benefit type	Administration	Financing	Arena of action
UK	Statutory Sick Pay (SSP)	Flat-rate insurance	Employer	Employer	Labour market/ Politics
	Incapacity Benefit (IB)	Flat-rate insurance	Public	Contributions	Politics
NL	Continuation of payment of salary (WULBZ)	Income-related sick-time pay	Employer	Employer	Labour market/ Politics
	Disability Benefit (WIA)	Income-related insurance	Public	Contributions	Politics/ Labour market
FI	Minimum Sickness Benefits (Sairausvakuutuksen vähimmäissairauspäiväraha)	Flat-rate insurance	Public	Contribution and taxes	Politics
	Daily Sickness Benefit (Työtuloon pohjautuva päivärahaetuus)	Income-related insurance	Public	Contributions	Politics/ Labour market
	National Disability Pension (Kansaneläkkeen työkyvyttömyyseläke)	Flat-rate pension	Public	Contributions and tax	Politics

flat-rate benefits financed by contributions and taxes.<sup>43</sup> In the Netherlands, a publicly administered disability benefit programme provides earnings-related benefits that are paid by contribution. In the UK, the national insurance benefit programme (IB) also provides flat-rate benefits for the disabled.

Again, in addition to the programmes listed above, there are other cash benefits available for the ill and disabled, which have been excluded from the research to keep it feasible. In the UK and Finland, a division is made between professional risks (sickness or injury occurred at work) and social risks (sickness occurring out of work), while the Dutch make no distinction between illness occurring in or out of work. We have not included British and Finnish specific work injury programmes.<sup>44</sup> In addition, disability programmes with eligibility restricted to members of special groups are not included. This means that, for instance, developments in special disability benefit programmes for the self-employed or the young disabled (as WAZ and WAJONG in the Netherlands) are not analysed. Finally, the analysis excludes transfers, such as home care allowances for the disabled, disability living allowances, and re-integration training payments etc, which are generally aimed solely at the reintegration of persons to workforce or at covering the costs related to living with disabled persons.

#### Social assistance benefits

Traditionally these last resort benefits are paid as a form of means-tested social assistance allowance (as in the UK and Finland), but in the Dutch programme, there are several other means-tested benefits (such as TW and IOAW) available for poorest people as noted in Table 2.3. Generally, the benefit programmes are relatively similar across the selected countries: they are tax financed and administered by municipalities.

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43 In Finland, statutory pension programme provides (among other compensations) long-term disability benefits, and one can distinguish between national pension and employment pension programmes. Although both are equally important, our analysis is limited only to national pension programmes in order to keep the study possible. The two pension programmes are aimed at two different target groups, and have very different tasks: the purpose of the residence-based national pension is to guarantee an adequate minimum pension income, and the earnings-related programme is intended to maintain the level of consumption attained by employees and self-employed.

44 These programmes have undergone little change in the UK or Finland (for the UK see e.g., Wikeley; Ogus and Barendt 2002; for Finland, see e.g., Kangas 2000). Wikeley et al. (2002) suggests that this due to a strong relation to worker's interest agencies and tight scope of eligible persons.

**Table 2.3.** *Social assistance benefit programmes and their institutional characteristics included in the analysis as they existed in 2006.*

Country	Benefit programmes included	Benefit type	Administration	Financing	Arena of action
UK	Income Support (IS)	Flat-rate assistance, means-tested	Public	Taxes	Public
NL	Social Assistance Benefit (WWB), IOAW for older workers, Supplementary Benefit (TW)	Flat-rate assistance, means-tested	Public	Taxes	Public
FI	Social Assistance benefit (Toimeentulo-tuki)	Flat-rate assistance, means-tested	Public	Taxes	Public

### 2.2.3 Choice of time period

As noted in Chapter 1, in order to draw general conclusions concerning welfare state change, we must incorporate a sufficiently long time period. Policy reforms, even if considered to be merely adjustments when implemented, can have a cumulative effect and ultimately lead to structural reforms. To take this into consideration, and to fully explore the changes implemented in a period of supposed economic austerity, we analyse the legislative changes from the beginning of this period 1980 to 2006. Furthermore, at the beginning of each national chapter, a short glimpse at historical developments during the 20th century is given to place the changes that we analyse in detail in a wider context.

### 2.3 Analytical framework for assessing benefit reform

When examining the reform of social security programmes, three institutional dimensions can be distinguished (see e.g., Bonoli and Palier 1998; Stiller 2007): 1) the benefit structure (access and rules of eligibility), 2) financing structure, and 3) management or regulatory structure. In other words, social security programmes provide benefits to those eligible under the programme rules and conditions (benefit structure), which are financed by tax payers and/or contributions (financing structure), and regulated by either state, social partners or other stakeholder groups depending on the programme or country (management structure). In the present research, we have analysed reforms which alter rights and conditions related to benefit receipt, that is, changes to the first dimension. This means that we viewed benefit reform only in relation to changes in benefit structure, and reforms related to the administration or financing of the benefit are not discussed here. By this selection, we do not claim

that reforms that alter the financing or administration structure are somehow less important than the ones affecting benefit structure, quite the contrary, as discussed earlier all these characteristics have a large impact on the social security provision in a country. However, in order to view the changes in detail, limitations had to be made as already argued. We claim that viewing the benefit structure provides pointers to help us understand what has happened to the social rights, that is, questions of who is eligible, how much they receive and under which conditions, which are located in the centre of welfare states values and norms. The question who delivers or pay is also important but this tells less about the social rights attached to social security rights. As indicated in Figure 2.1, there are three major aspects that define a benefit programme (eligibility, entitlements and additional conditions) and the change in any of these aspects indicates a change in social rights.

The first level of condition for the receipt of any social security benefit is membership of a given socially defined category of support; being incapacitated from work, unemployed, and so forth (Saunders 1991; Bolderson and Mabbett 1995; Eardley et al. 1996; Clasen and Clegg 2003a). These categorical membership conditions create a boundary around the potential pool of beneficiaries. In addition to the category status, the claimant’s current situation or actions in the past are charted in order to determine their eligibility to the benefit. Dixon (1999) calls these conditions general qualifying employment record, paid contributions, the degree of disability, income below the

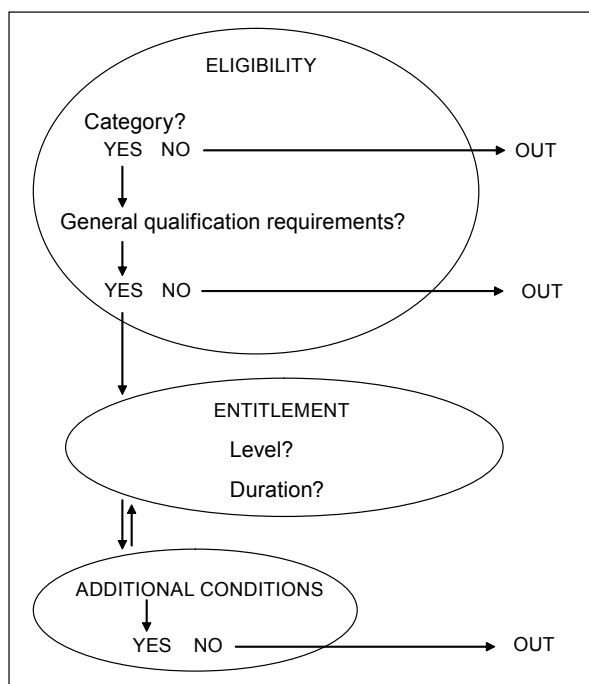


Figure 2.1. Aspects of benefit programmes.

means-test and so on. After the eligibility conditions are satisfied, the next entitlement conditions step in. They define the value of the benefit in monetary and temporal terms. In many cases, the level and duration of benefit depends on the claimants' status, past actions, or current situation. For instance, the duration of benefit can depend on previous work record, claimants' age, need for assistance and so on. Similarly, benefit levels can depend on previous earnings, age of claimant, degree of disability, and current activity. After claimants have been granted benefits, changes can be implemented to the benefit rights, which will alter the benefit payments (level and duration) from then on. Satisfying the two dimensions – eligibility and entitlement – has always been followed by additional conditions that can either encourage recipients (while on being benefit) to work or prevent any negative behaviour on the claimants' part. These incentives to work and sanctions are no modern invention, but in recent years we have witnessed a great rise in the number of such additional conditions. We call this third level of conditionality additional conditions (see also Clasen and Clegg 2007). Unlike the eligibility and entitlement conditions that focus on the claimants' past, the third level of conditionality emphasises the present and the future. It governs the legitimacy of benefit receipt and often involves a certain behaviour or action on the part of benefit recipients. Today, recipients are faced with more obligations, sanction, and work incentives.

In practise, the specific criteria applied within eligibility, entitlement and additional conditions are manifold, and Table 2.4 (see p. 70) summarises the aspects of programmes that were applied in our study to assess reforms to eligibility, entitlement, and additional conditions. The list is neither claimed to be exhaustive, nor it is directly transferable to other European countries or other benefit programmes, but it presents the possibilities for alteration in social security benefit rights in our selection of benefit programmes in the UK, Netherlands, and Finland since 1980.

In the present study, we first made an inventory of reforms in each of the benefits, within each of the countries. Next, we excluded reforms, which did not alter eligibility, entitlement, or additional conditions, such as reforms related to the administration or financing of the benefit. Then, every chosen reform was systematically analysed against our analytical aspects of programmes (Figure 2.1), and classified in terms of whether it changed eligibility, entitlement or applied additional conditions to the recipients. The task was not always simple, as a reform can consist of two or more elements, for example, a smoothening of the means-test can lead both to a widening of the category rendering more people eligible, and also to an increase in the total income of the benefit recipient. In addition, such a reform might also be used to introduce more incentives to work, which could be categorised also as an additional condition. As result of the complexity of reform, each element must be individually observed and each observation evaluated in order to understand its effect to benefit rights with each programmes and country. Finally, by adopting this reform tracing approach, we produced country analyses where the changes in eligibility, entitlement and additional conditions over time were discussed in detail, and which contribute to a more in-depth academic understanding of benefit reform.



**Table 2.4.** *Elaboration of programme aspects that alter benefit eligibility and entitlement.*

ELIGIBILITY: creates a boundary around the potential pool of beneficiaries and tests whether a particular claimant satisfies the conditions at the point of entry	
Category: status, membership	Worker
	Incapacitated person
	Recipient of a (certain) benefit
	Resident of a country
	Household composition
	Age
	Gender
General qualification requirements	Paid contributions
	Sufficient work history
	Previous wages
	(Sufficient period of) benefit receipt of another benefit
	Passing the means-test/capital and/or earnings disregards
	Passing the test of available for suitable work
	Passing the test of seeking actively work
	Having participated in an interview
	Passing the test for incapacity for work
	Disqualification measures causing benefit receipt to be postponed or withdrawn for specified period (although the right is preserved)
	Waiting days
ENTITLEMENT: Conditions and rules for duration and level of benefit at the point of entry and during benefit receipt	
Conditions that determine level and duration	Work record/paid contributions
	Previous wages/capital
	Age
	Earnings-disregards when reducing the amount
	Degree of disability (full or partial disability)
	Household size
	(Number of ) children in the household
	Benefit administrators' (discretion and) perception of need
Benefit rules	Indexation; freezing or raising indexation, change in linking mechanism
	Subjection to tax
	Benefit percentages: lowering/increasing
	Benefit ceilings: lowering/increasing/abolishing/introducing
	Increasing/decreasing/introducing/abolishing supplements
	Earnings-disregards/other benefit disregards
	Sanctions: reducing/withdrawal/reimbursement of benefit
	Extending/shortening the sanction period
	Increasing/decreasing maximum duration
	Calculation of duration changed (what is taken into account and what not)

ADDITIONAL CONDITIONS: related to behaviour or action to be taken on the part of the recipient to legitimate their current receipt	
Obligations	Attending interviews
	Co-operation in extended work search measures
	Medical (re)assessment
	Accepting work or training
Sanctions	Increasing/smoothening sanctions
	The additional sanctions embedded in reintegration programmes
Incentives	Reintegration measures (financial, educational springboards) related to the general benefit programme
	Job search guidance during the interviews
	Rules removing waiting days or punishments if trying to find work (without success)

## 2.4 Data

As a deliberate goal to improve the data used in the qualitative institutional architecture approach we use first and foremost primary sources, namely national social security acts and other legislative instruments (Regulations, Decrees, and Parliamentary Discussions and Minutes). The data was collected from university libraries in the Netherlands, the UK, and Finland during several trips and fellowships in these countries. In the Netherlands, where the author is currently living, the facilities of Tilburg University were used. Furthermore, owing to an EU Marie Curie Fellowship Grant, the author accessed national legislation at Edinburgh and Stirling University Libraries during her four months fellowship at the Centre of Comparative Research in Social Welfare at the University of Stirling, Scotland. Furthermore, with the kind co-operation of the University of Turku and the department of Social Policy, several trips to Finland were made to collect the necessary information. In addition to the primary sources, a few secondary sources (academic and governmental literature) were consulted. These two types of sources were used to complement each other and provide a consistent analysis of the reforms enacted in the European countries under study. The secondary literature could not be ignored, as other research (Bendix Jensen 2004) has shown that some benefits, especially means-tested benefits, are regularly changed through parliamentary (and administrative) decisions, rather than through primary legislation, and relevant changes could be lost if concentrating solely on primary legislation.<sup>45</sup> The two sources (primary acts and secondary publications) also help alleviate the practical problems a researcher can encounter when interpreting legal terms. For instance, while having problems with ambiguities in complex legal texts, one can turn to more

45 It has been possible since 1986 in the UK for instance, for the Secretary of State to implement secondary changes (so-called fast track changes). Also in the Netherlands, changes to social security benefit rules can be implemented by administrative orders. Another problem is that, the involvement of other Ministries (such as the Treasury in the UK) in social-policy making may mean that some changes to social security are noted under Finance Acts, not under Social Security Acts. Finally, many of the changes related to social assistance are made at the local level and the granting authority has a lot of power to decide who is eligible and the level of benefit. To alleviate these problems, administrative decisions and secondary literature must be used.

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comprehensible accounts of the law provided in the secondary sources, and possibly, at least theoretically, vice versa. A more detailed description of the data sources used and the actual data lists with references are found in Appendices 1–3.

### 3 RESTRUCTURING SOCIAL SECURITY IN THE UNITED KINGDOM

The United Kingdom out of all the European countries has been nominated as the model case for implementing considerable retrenchment (e.g., Carroll 1999; Timmins 2001; Allan and Scruggs 2004).<sup>46</sup> Several authors (e.g., Clasen and van Oorschot 2003; Bendix Jensen 2004) claim that British social security policy has shifted from the contributory principle towards a greater dominance of the needs principle and selectiveness in general. The UK is also claimed (see e.g., Dwyer 2004) to embody a considerably stricter benefit regime manifesting no rights without responsibilities. The present research indicates that although many changes have led to more targeted, stringent and activating social provision in the UK, changes to social security rights are not always as ground-breaking as often proposed. This chapter answers the questions contained in the research question set 1: *how have the eligibility and entitlement rights and conditions been changed, and can we capture overall trends of benefit reform within specific countries*. Based on detailed national data (Appendix 1) we investigate what has happened to benefit structure (benefit conditions and rules) within the British unemployment programmes, sickness and disability programmes, and social assistance benefit programme. The structure of the chapter is as follows. To gain a proper understanding of the system as a whole, it is necessary first to address its historical evolution in the UK (for a detailed description of this, see e.g., Ogus and Barendt 1982; Wikeley; Ogus and Barendt 2002). Then we scrutinise reforms to the three social security programmes between 1980 and 2006. Finally, we conclude on the patterns of British social policy reform and how this has affected claimants' social security benefit rights.

#### 3.1 The historical developments of the British reforms

##### 3.1.1 *The blueprint of universal social protection: The Beveridge Report (1942)*

Victorian society (1837–1901) emphasised self-help and personal thrift (see e.g., Bruce 1973). Protection against the hazards of illness, old age, and death was achieved through family and voluntary savings, for which purpose friendly societies, trade unions, and insurance companies provided the institutional arrangements. Poor Laws originating from the Poor Relief Act of 1601 provided for limited state intervention in the alleviation of poverty. However, by the beginning of the 20th century, Poor law measures and voluntary savings provided inadequate security in a changing industrial society. Significant poverty studies (Rowntree 1901; Booth 1902) seriously challenged the traditional assumptions that poverty resulted from moral failings.<sup>47</sup> Impressed by the German system of social insurance, the British government introduced the

46 The UK is claimed to have implemented retrenchment following the broad Piersonian (Pierson 1994: as discussed in the Chapter 1) principle: by increasing means-testing, introducing privatisation, and dramatically changing benefit eligibility and entitlement rules.

47 Studies by both Booth (1902) and Rowntree (1901) illustrated that the two main causes of poverty were related to the question of unemployment and the incidence of ill health, a finding of importance to the movement for unemployment insurance which the market could not provide on a general basis.

National Insurance Act (NIA) in 1911.<sup>48</sup> The Act implemented flat-rate national insurance (NI) benefits against sickness and unemployment. In order to discourage idleness, NI benefits were paid only at a survival level for maximum of fifteen weeks a year. Later, also the risks of old age and premature death were included (1925) and unemployment provision was revised to distinguish between insurance and relief (1934). By the end of the 1930s, a system of social insurances had been established that generated benefits at a flat rate level, combined with residual means-tested assistance for those not covered by the insurance (Wikeley; Ogus and Barendt 2002; see more, e.g., Pennings 1990).

The Beveridge Report (1942) was a significant landmark, both in its home country and abroad, introducing a new blueprint for the welfare state (Glennerster 1995; for detailed discussion see e.g., Hills; Ditch and Glennerster 1994; Alcock 1999). It led to the establishment of a compulsory system of social security and the National Health Service (NHS) after the Second World War (1939–1945). The report left the essence of NI insurances unaltered, but the insurance programmes were made more universal and more comprehensive, the minimum levels were raised (although benefits remained payable at a flat-rate), and the administration was unified. The intention of the Beveridge report was to reduce means-tested provision to a residual role. The existing Poor Laws had become outdated, and following the recommendation of Lord Beveridge they were repealed by the National Assistance Act in 1948.<sup>49</sup> Introduced in the Beveridge Report was the concept that social security was not just about redistribution to the poor as advocated hitherto, but that it was a means of enabling people to smooth their income levels over their lifecycle: from periods of wellbeing (while working) to periods of need (after pensionable age). Up to the end of the 1970s, governments continued with a common agenda based on the expansion of social security provision.<sup>50</sup> For instance, Labour governments extended the scope of non-contributory and non-means-tested benefits for the disabled (for example, introducing Invalidity Benefit (IVB) in 1971 and Non-contributory Invalidity Pensions (NCIP) in 1975 and Non-contributory Housewives Invalidity Pensions (NCHIP in 1977), raised the levels of NI benefits (e.g. introducing the earnings-related supplements for NI benefits in 1966), and implemented a new child benefit and a state earnings-related pension (SERPS) programme (see e.g., Evans 1998: 259–260). Since the 1960s the government had been concerned about the effectiveness of national assistance in meeting needs. To respond effectively to these needs, a new social assistance benefit, the Supplementary Benefit (SB) was introduced in 1966. The expansion of welfare provision came, however, to abrupt end by the end of the 1970s.

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48 The 1911 Act covered 2,250,000 workers (including 10,000 women) of a 10 million working population and 63 per cent of the insured were skilled workers (Pennings 1990: 41)

49 Many of the features of the Poor Law were abolished: there was no law on settlement and the recipients did not have to be resident in the claiming city, the condition that disabled applicants could be set to work was repealed by a requirement to register for employment, and relief by way of loan was abolished (see more, e.g., Wikeley; Ogus and Barendt 2002).

50 Social security expenditure represented 4.7 per cent of GDP in 1949/1950 and was raised to 9.1 per cent in 1979/1980 (Adler 2004: 91).

### 3.1.2 *Rolling back the state (1979–1990)*

In the 1970s the political and economic climate started to change. The first oil price shock in the mid-1970s, followed by a more severe crisis in the early 1980s, strained most economies, the UK included.<sup>51</sup> The UK was commonly regarded as the ‘sick man of Europe’ due to its low economic growth rates and sharply increasing numbers of unemployed (Clasen 2003: 574). Economic growth rates slackened and GDP fell in both 1974 and 1975 causing a rise in unemployment, which continued to rise even in the 1980s. For the first time since the war, the number of unemployed rose to above one million and finally peaked in 1976 at 1.5 million. (Lowe 1993: 301.) The election of 1979 led to a fundamental, but gradual shift in social policy. The Conservative government (1979–1990), led by Margaret Thatcher, was explicit about their ambition to ‘roll back the frontiers of the state’ and to ‘end the culture of dependency’ and create more room for individual and private forms of social protection.<sup>52</sup> The main dilemma was perceived to be the level of public expenditure as announced by Geoffrey Howe, the then Chancellor of the Exchequer in his first Budget of May 1979 when he stated that ‘Public expenditure is at the heart of the UK’s present economic difficulties’ (HM Treasury 1979: 1). The complexity of the social security system was also seen as a serious problem that needed to be tackled. Furthermore, the government planned to introduce measures to limit abuse and fraud and to discourage ‘work shyness’ (see e.g., Lowe 1993: 304–313). Consequently, a review of the British social security system, led by the Secretary of State Norman Fowler (DHSS 1985a;b) began in 1984. This generated a new blueprint advocating a shift from Beveridgean universalism towards more targeting and selectivity through increased means-testing and privatisation (Glennerster 1995; see e.g., Dilnot and Walker 1989; Clasen 1994; 2005).<sup>53</sup> At the beginning of the 1980s, means-tested benefits and non-contributory disability benefits came under attack, the privatisation of sickness provision commenced, and workers were encouraged to take out new personal pensions. The Social Security Act 1986 represented the culmination of years of consultation and debate about the future of social security in the UK. Some of the changes were only fully implemented in the mid 1990s.

### 3.1.3 *Continuity (1990–1996)*

The next Conservative government, led by John Major (1990–1996) continued to be concerned with trimming an ever rising social security budget driven by high levels of unemployment, sickness, low wages, and an increase in divorce, separation, and lone parenthood (see also e.g. Evans 1998; Hewitt 1999). The Major administration

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51 The quadrupling of oil prices after the Arab-Israeli war of October 1973 accelerated the underlying annual rate of inflation in the UK which it reached the unforeseen level of 27 per cent in 1975 (Lowe 1993: 301).

52 The dependency culture debate originated from the fact that the welfare state was claimed to have displaced the role of the family as the main provider of welfare.

53 The government did not want to totally abolish the insurance schemes, rather the contributory systems for contingencies like retirement, unemployment and long-term sickness were to be maintained. (DHSS 1985b: 19)

implemented the reforms of the late Thatcher period, and revised, among other things, unemployment and sickness benefit programmes in 1995 (DSS 1993; 1990). The government had to deal also with an urgent need for improving the security of private funded pension programmes, caused by the Maxwell scandal, which led to the revision of the funded pension programmes.<sup>54</sup>

### *3.1.4 A shift from welfare to welfare to work (from 1998 onwards)*

Strong political concern regarding the dependency culture as the cause of economic decline (see e.g., Dean and Taylor-Gooby 1992) underpinned the stricter benefit regime introduced by the Thatcher and Major governments. The next administration under Tony Blair and New Labour (1997–2007) maintained the policy direction of the previous Conservative cabinets, but brought about a stronger manifesto of ‘welfare to work’ ideology. Unlike previous Labour governments (in the 1960s and 1970s), the Blair administration had accepted (the Conservative) assumption that the provision of social security can have detrimental effects on individual behaviour (see also Powell 1999). Labour saw a need for a new contract (for contractualism, see e.g., Eichenhofer and Westerveld 2005) between citizens and the state: the government’s obligation was to provide opportunities for entering paid work, and benefit claimants must be more proactive and aim at (re) entry to gainful employment (DSS 1998a). Under the new administration, the emphasis on paid work as the primary route out of poverty was strong, a new balance was created between rights and responsibilities, and the leading slogan for social policy became ‘work for those who can; security for those who cannot’. During the last years of the 1990s, benefit eligibility and entitlement rules were not considerably altered, but several programmes were implemented that increased the (work based) conditionality attached to benefit receipt. Prominent among these were the New Deal (ND) programmes, rebuilding welfare around the work ethic, aimed at facilitating labour market entry for different claimant groups (DSS 1998c). Young people, single parents, the long-term unemployed, and disabled people were required to sign up for a new contract with the state.

In the 2000s, paid work continues to have a central role in provision of benefits (DSS 1998d). In addition to ND programmes, the policymakers’ aspirations to make work pay were carried through the introduction of a minimum wage (in 1999) and several types of tax credits in 1999 and 2002 (see e.g., Wikeley; Ogus and Barendt 2002). Following its re-election in 2001, the Labour government has proceeded to implement further restructuring of the tax and benefit systems, which have been claimed to generate a shift away from a traditional social insurance model of social security (Lee 2003; Adler 2004; see e.g., HM Treasury 2000).

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54 The Maxwell scandal which resulted in a loss of up to £1 billion by the Mirror Group’s pension funds as a result of imprudent investment in the group’s own companies, and the widespread mis-selling of personal pensions by insurance companies were widely reported in the media, and it gave politicians reasons to revise funded pension schemes (Bonoli, George and Taylor-Gooby 2000: 81).

### 3.2 Benefit reform in the UK: 1980–2006

The next three sections examine reforms to social security provision for unemployment, sickness and disability, and social assistance benefits since 1980. The structure of each section is as follows. First, to understand the changes implemented between 1980 and 2006, a short description is provided of the situation in 1980 and 2006 and the main developments over this period. Then, an overview of the major changes occurring and their impact on eligibility and entitlement rights during the last 26 years is presented. The full list of the British Acts (in chronological order, 1980–2006) that affect eligibility or entitlement rules is described in Appendix 1.<sup>55</sup>

#### 3.2.1 *Reforming British unemployment benefit programmes*

Description of the unemployment benefit system in 1980 and 2006

In 1980, there were two benefit programmes available for the unemployed: a compulsory Unemployment Insurance Benefit (the UB hereafter) and a means-tested Supplementary Benefit (the SB hereafter). The SB provided income for the unemployed who did not satisfy the contribution record inherent in the UB, providing that their income remained under a prescribed statutory minimum. The SB was thus a social assistance provision, and therefore we will discuss this programme separately in the section 3.2.3. In this section, we examine only the unemployment insurance programmes. The UB was introduced in the Unemployment Act of 1934. It covered generally all British workers in 1980, but only those meeting NI contribution requirements (must have paid sufficient contributions at least one year in any tax year), could access UB.<sup>56</sup>

As indicated in Figure 3.1 (see p. 79), certain persons out of work (for instance housewives, the self-employed, women on maternity leave, and full-time carers of the disabled) could also be credited as having met the contribution record and could therefore access the UB without a sufficient work history.<sup>57</sup> Claimants were required to be available for work, and although no means-test was applied to unemployment insurance benefits, they were only allowed to have a minimal income (€1 a day before tax) from work in order to be considered as unemployed.<sup>58</sup> After a three-day-waiting

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55 To save the reader from massive number of footnotes indicating the source of reference, the empirical analyses note the precise Acts (and other legislative measures) implementing the changes, but full list of national Acts with references are found in the Appendices (1–3) in the end of the thesis.

56 NI contributions are a percentage that every worker (after becoming 16 years of age) must pay from their wage-earnings between pre-described amounts.

57 Previously (under SI 1975/556), contribution could be credited to assist those who were already established in the scheme, but for some reasons beyond their control, were unable to continue to make the requisite payments. Such persons were those incapable of work, those caring full-time for invalids, those approaching retirement, widows entering employment, those eligible to disability working allowance, those on jury service, and those receiving statutory maternity pay.

58 As of now, all the national currencies used throughout the chapters are converted to Euros. The currency rate for the UK €1 = 0.69333 British Pounds, as converted in <http://www.oanda.com>.



period, the benefit was paid for a maximum of one year. The UB was a flat-rate benefit (€29 a week in 1980), but after the first 12 days, an earnings-related supplement (ERS) was paid for a total of 156 days.<sup>59</sup> Furthermore, the benefit could be supplemented with increases in respect of children (€1.80 a week in 1980) or spouse dependants (€18.39 a week in 1980).<sup>60</sup> UB was not taxable in 1980. A maximum of six-week-disqualification period, during which the right to UB was suspended, was possible if, for instance, the claimant left jobs voluntary or refused to take another job. After the maximum duration of 312 days, to re-qualify the claimant must be employed for thirteen weeks (and at least for 13 hours in each week).

Figure 3.2 describes chronologically the developments since 1980. Since 1995, both means-tested and insurance benefits for the unemployed workers have existed under one programme, the Jobseeker's Allowance (from now on the JSA).

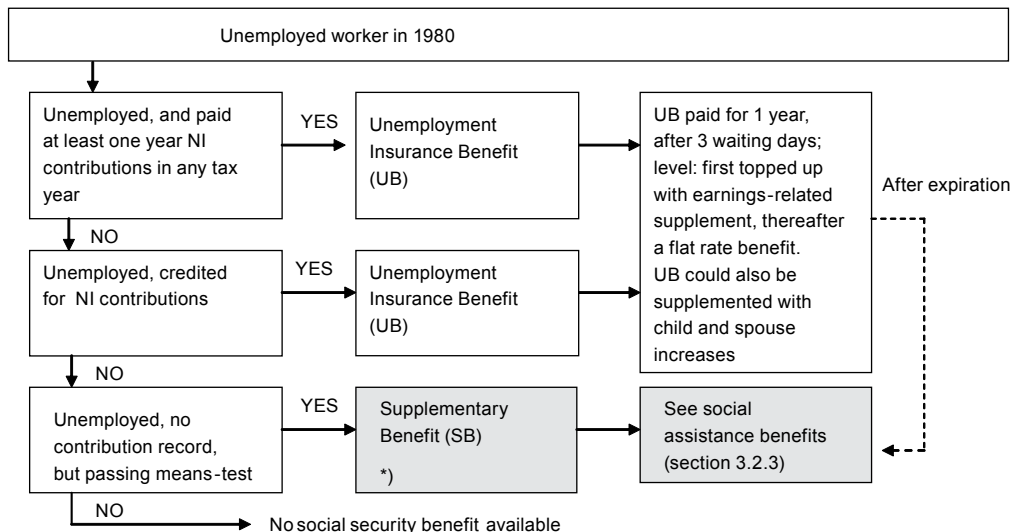
In essence, the present two-tier structure is very similar to the provision existing in 1980: it comprises of a flat-rate insurance paid subject to contributions (Contribution-based JSA) supported by income-tested assistance (Income-based JSA) for those who have exhausted (or never had attained) any entitlement under the insurance programme. Social assistance under the general programme, first Supplementary Benefit (SB), as from 1986 the Income Support (IS), is no longer paid to the persons able to work since the introduction of JSA, but this is discussed further in section 3.2.3.

Figure 3.3 describes the situation in 2006. How the developments have affected the unemployment benefit rights and conditions is discussed more in detail in the next section, but generally speaking JSA is a harsher programme than the former UB. The Contribution-based JSA, for instance, requires a more recent work history, is paid for a much shorter period and at a lower rate, and obliges the recipients to satisfy many more work-based conditions than before. The Income-based JSA took over from means-tested assistance for the unemployed. Although less profound alterations have been implemented, claimants of Income-based JSA faced stricter conditions. Next, we elaborate on these changes.

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59 The ERS was payable from the thirteenth day of a period of interruption of employment for total of 156 days (not counting Sundays). The rate was calculated by reference to the earnings factor derived from claimants Class 1 contribution payments (not credited) in the relevant contribution year. The aggregate of the benefit and ERS payable must not have exceeded 85% of those earnings. For more detail see SSA 1975 or Ogus and Barendt (1978: 424–426).

60 The claimants of UB were generally granted with increases in respect of children and/or spouse. For entitlement to an increase on respect of a child, the claimant must be entitled to child benefit in respect of their child and the child must live with them. The claimants were entitled to an increase of their spouse (wife/husband) if they were residing with them or contributing to their maintenance. For more detail see SSA 1975 or (Allbeson 1980/1981).



\*) Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For SB see the section on social assistance 3.2.3.

Figure 3.1. Route to British unemployment benefit programmes in 1980.

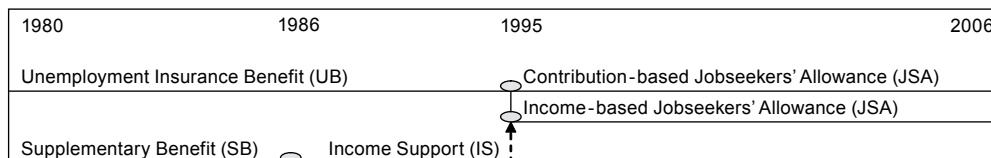


Figure 3.2. Chronological time-line of the changes in British unemployment benefit programmes 1980–2006.

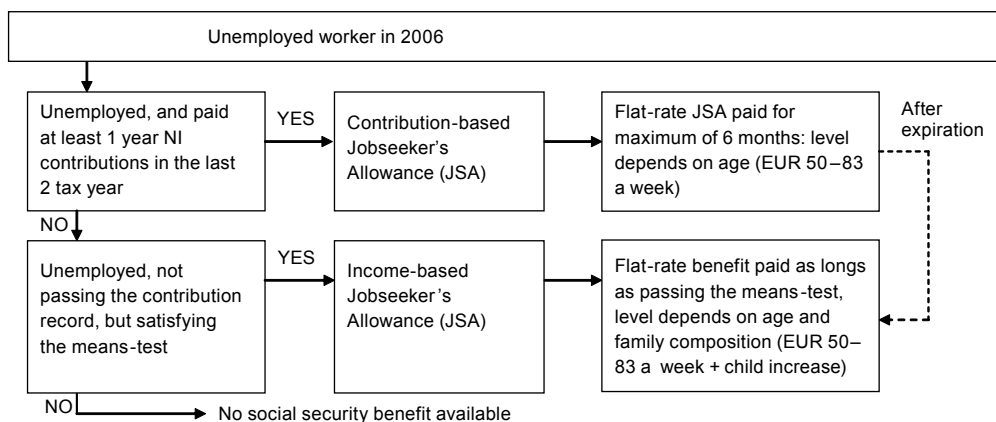


Figure 3.3. Route to British unemployment benefit programmes in 2006.

### Changes in unemployment benefit rules in the UK, 1980–2006

Three distinctive periods of unemployment insurance reform can be identified: tightening the rules under UB and introducing early activation in 1980–1990, implementing the JSA with lower benefits and intensified obligations in 1990–1997, and the development of welfare to work from 1997 onwards. These periods reflect the political developments discussed above.

#### Less of the same in 1980–1990: Lower unemployment benefits with stricter conditions

Due to the poor economic growth in the 1970s, the UK faced a sharp rise in unemployment. From 1978 the number of people receiving UB rose from 555,000 to 1 150,000 in 1981 (National Statistics website). To tackle the problem of a rising number of welfare dependants, the Conservative government implemented a series of reforms (Atkinson and Micklewright 1989: 18; see also Atkinson 1995). Repeated cuts to benefit levels together with more restrictive eligibility conditions made the UB programme less generous and more difficult to access in the 1980s. Atkinson and Micklewright (1989) refer to the 1980s as a period of ‘turning the screw’ for the unemployed during which the role of unemployment insurance was considerably weakened compared to unemployment assistance.

#### Lower benefit entitlements

A significant part of the reforms of the 1980s affected the level of unemployment insurance benefits. In principle, the most startling alteration of the early 1980s was the abolition of the earnings-related supplement (ERS) in 1980 (SSA 2/1980). The ERS, which had been introduced in National Insurance Act of 1966 to provide an earnings-related element in addition to the basic flat-rate insurance benefit, was cancelled, although earnings-related contributions (introduced in 1973) were retained.<sup>61</sup> The reform made the UK the only country in the present research (and the only country among the EEC countries at the time) with no earnings-related element in their unemployment protection, which lowered considerably the UB levels.<sup>62</sup> The consequence of the repeal of ERS was that the role of (modest) flat-rate payments was strengthened for the unemployed.<sup>63</sup> Furthermore, three other reforms in the early 1980s, such as the freezing of the annual indexation of benefits between 1980 and 1981 (SSA 2/1980),

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61 In 1985, the NI contributions were made progressive, which meant that for the lower paid they were decreased in order to make low paid workers more attractive to employers. For these employees this meant a net increase of income.

62 The abolition of ERS, among other cuts since the end of the 1970s, increased the percentage of unemployed persons receiving social assistance from just under 50 per cent in 1970s to around 70 per cent in the 1990s (Evans 1998: 9).

63 This meant that, unlike most European countries, the level of NI unemployment benefits were not linked to past earnings in the UK, rather they are flat-rate payments. The principle of equity (that is, the strong link between last earnings and future entitlements, see e.g., Clasen and van Oorschot 2002b work on social security principles), often seen as an integral part of the insurance model, is thus absent in the UK.

subjecting the UB to taxation in 1981 (FA 1981), and the abolition of child increases in 1984 (SSA 48/1984), each reduced the payable UB amounts. Ogus and Barendt (1978) claim that a cardinal principle of social justice is the maintenance of the real value of social security benefits. This was acknowledged in Social Security Act 1973, when a mechanism of indexation, that is, fixing the amount of benefits in line with inflation, was incorporated as a statutory duty for the Secretary of the State. However, the annual indexation of short-term benefits in line with inflation was frozen in 1980–1981, meaning that UB benefits were increased by five per cent less than prices. Only the real value of social assistance benefit was preserved. Hence, other beneficiaries shouldered the burden of controlling inflation and reactivating economic growth. This reduction was reversed once the benefits were made taxable in March 1983 (SSHBA 36/1983), but as UB was also made taxable, the net amounts granted were reduced.<sup>64</sup> In 1986, the government also announced that the Secretary of the State no longer had a statutory duty to raise certain benefits (including UB), which made it possible to cut benefits without further legislative measures (SSA 50/1986). The study by Atkinson and Micklewright (1989: 22–23) indicated that such cuts were implemented several times in the 1980s. Furthermore, following the abolition of the ERS, the child increases in UB were abolished in 1984. Already in November 1980, there had been a change in the method of calculating the inflation adjustments for the child additions (SSA 2/1980). From November 26th, no child additions were paid and the only additions payable under the UB were spouse increases. The abolition of child additions meant that the families with children in receipt of UB lost a supplement amounting to €0.43 (in 1982) per child per week and the benefit programmes no longer recognised the extra need of families with children.<sup>65</sup> Finally, a personal means-test was implemented for people's UB if they were claiming occupational pension above a prescribed amount (SSA 2/1980). Although the British system followed the principle that double payments should not be received for the same contingency (Beveridge 1942: para 321), it had been possible to receive occupational pension income and unemployment benefits at the same time. The private law arrangements had been a part of Beveridge's plan in forming the general welfare system: while the state was to provide the minimum income security for each kind of hazard, it should leave room for voluntary action to provide more than minimum (Beveridge 1942: para 9). In 1980, this double payment leeway was, however, restricted. The reform was based on the concern that a substantial number of older people who had retired on an occupational pension before the age of public pensions, and who also were granted UB, used this double provisions for comfortable early retirement because there were few vacancies for older persons (National Insurance Advisory Board 1968). In 1980, any occupational pension income exceeding €50 a week reduced (by €0.14 for every €0.14) the UB for those aged 60 or

64 The situation where benefits were not taxed was considered worse as then the benefit entitlements varied according to claimants' income tax liabilities. Apart from this problem of equity, or more precisely inequity, a larger problem with untaxed benefit was seen that it gave rise to significant work disincentives. For instance, with tax thresholds set at low level, recipients with many dependants could be better off out of work than when employed (Ogus, Barendt and Wikeley 1995: 32–33).

65 In 1984, additions were being received for some 230,000 children and although the amounts were reasonably small, and its abolition led to savings of €15 million a year (Atkinson and Micklewright 1989: 24).

more. In 1988, the age limit was lowered to 55 (SSA 7/1988). Although, the reform lowered the amount of UB payable for those receiving occupational pensions, it was claimed not to jeopardise the subsistence of claimants as they already were granted (sufficiently large) pensions. However, the reform introduced the means-test for insurance programme. The overall effect of the cost containment measures of the 1980s was that they: generated much lower entitlements for claimants, widened the gap between wages and benefits, cut costs, prevented early retirement, and changed the purpose of the unemployment protection programme from the provision of minimum income protection to compensation for the loss of income (see more e.g., Timmins 2001).

Generally stricter access to the UB

In the 1980s, in addition to cuts in benefit generosity, the access to UB was limited in several ways. Most commonly access to UB was more tightly linked to claimants' contribution record, and through that to claimants' past work history. This was primarily generated in 1986 through: abolishing the reduced UB for those with insufficient contribution records, removing students and school-leavers from UB (SSA 50/1986), and most significantly by tightening the requirements for a complete contribution record in 1986 and 1988 (SSA 7/1988). The abolition of the reduced rates of the NI benefit meant that those with incomplete contribution records, generally young and temporary workers, now received no insurance benefit as opposed to a fraction of the UB as earlier. Related to this, access for students (with no work or contribution record) was gradually constrained (SSA 50/1986): in 1986 their access was limited to summer holidays only, finally leading to the exclusion of this group from UB in 1990 (SSA 27/1990). As of 1988, school-leavers who failed to find work were expected to supplement their income through participation in work-based, government supported training provision, such as the Youth Training Programme (YT) (EA 1988). The withdrawal of their UB (as well as social assistance discussed later) was thus linked to a guarantee to provide training places for young people registered as seeking work.<sup>66</sup> Furthermore, contribution conditions were tightened in 1988. Entitlement depended on the contribution record for the two tax years before the start of the benefit year, as opposed to one tax year as before. Furthermore, use of credited contributions was abolished linking UB more closely to workers with recent work activity. According to Atkinson and Micklewright (1989: 24), already in May 1986 over 800,000 of the unemployed had insufficient contributions to receive any UB. The new tighter contribution conditions in 1988 substantially worsened the situation: 350,000 people were

<sup>66</sup> The 1980s saw a variety of specific schemes designed to reduce the numbers on the employment register (see more also Appendix I). The most significant of these intended to stimulate industry's labour requirements, involved the subsidising of the costs of employing young people (see e.g., Ogus; Barendt and Wikeley 1995: 73–74). In 1988, all young people aged sixteen and seventeen claiming UB or social assistance were transferred from UB to the Youth Training (YT) programme aimed at increasing their chances in the labour market. In order to be granted cash transfers under the YT, this group had to accept the activities offered (such as training, work programmes). The introduction of the YT aimed at preventing the young becoming victims of dependency culture (for discussion of dependency culture see Dean and Taylor-Gooby 1992) as soon as they left school. The scheme was, however, criticised for reducing the benefit rates for the claimants and for the insufficient number of YT places.

excluded from UB (Brown 1990: 158).<sup>67</sup> The eligibility was, however, not only restricted to those with the closest link to the job market and those being available for work.<sup>68</sup> To safeguard against fraud and abuse, access to the UB was changed in 1989 to require claimants to demonstrate that they were actively seeking work. The Actively Seeking Work Test introduced that year considered that persons were considered to be actively seeking work if they made reasonable efforts to become employed (SSA 24/1989).<sup>69</sup>

A few measures made access to UB easier in the early 1980s. For instance, the amount of disregards of income relevant to UB entitlements was doubled in 1982 (SI 1982), elderly men (60+) were released from the obligation to be available for work (and were granted long-term SB) in 1983 (SSHBA 36/1983), and the sanctions for those accepting voluntary redundancy were abolished in 1985 (SSA 53/1985). The change in allowed work income was not profound (from €1.08 to €2.88 a day), but it did represent a distinct improvement at the time allowing more people to access UB. However, the effect of the reform was promptly eroded as the earnings-disregard was not regularly updated: whereas it was possible for an unemployed person to earn up to 53 per cent of the UB daily amount in 1982, by 1988 it had fallen to 37 per cent (Atkinson and Micklewright 1989: 22).<sup>70</sup> The two other reforms relaxing the rules, freeing older persons from being available to work and exemptions from sanctions for persons accepting redundancy offered by their employers, were indeed favourable for those who were eligible. However, more than softening the rules under UB, they commonly provided early exit routes for older workers with diminished capabilities.<sup>71</sup> The freeing of older persons from being available to work has been repealed by the introduction of the Income Support programme in 1986 and JSA in 1995, but employees who accepted employers' offers to retire are still today freed from the sanction period. In all, the significance of these measures was thus rather limited.

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67 The consequences of the 1988 reform could also be radical for people with lengthy contribution records. Namely, person might have a work record of 30 years and still not qualify for UB during a second spell of unemployment, since the crediting of contributions during the first spell did not count towards the relevant condition for UB (Atkinson and Micklewright 1989: 24).

68 Under the National Insurance Act of 1946, the law adopted the term availability for work. Since the Social Security Act 1975, claimants' availability was confirmed by their appearing (in person) at the benefit office, signing on, and registering as available for work.

69 Already so far claimants were asked at the first interview to complete a questionnaire as to their availability, but the Government proclaimed in 1988 that this was easily circumvented by those who wished to abuse the system (DEE 1988). Steps what persons had to satisfy to be considered as actively seeking work included, for instance, oral and written applications, seeking information from advertisements, employers, and employment agencies, registration with employment agencies, and the appointment of a third part to assist, and generally speaking claimants were required to take more than one step per week (see more, e.g. Lundy).

70 This hidden constant, as Atkinson and Micklewright (1989: 22) call it, is, 'a parameter which is not regularly updated and which erodes benefit entitlements without people being aware'.

71 The British schemes allow retirement as early as the age 50, under specific circumstances, but for majority of people the level of benefits is very poor, which makes early retirement less popular (see e.g., Schils 2005).

### Enhancing the return to work

In addition to lowering entitlements and tightening the access to unemployment insurance benefits in the 1980s, persons claiming UB were also required to play a more active role in their (re)employment. Requirements to be available and actively seek employment necessitated more action on claimants' part at the point of entry to the programme. During the end of 1980s and the early 1990s, measures were also implemented to encourage recipients' return to work. These changes included reforms implementing incentives to work, but also measures that obligated the recipients to participate more actively (in the process of entering to employment) as discussed shortly. The legislator also imposed financial penalties (disqualifications and sanctions) to intensify the incentives and obligations (and, if needed, to be used in case of misbehaviour).

### Positive incentives

Certain incentives to work had already existed prior to the 1980s.<sup>72</sup> For instance, the Linked Spell Rule had protected the unemployed against the three waiting days in the situation where the unemployed started working but had to reclaim benefit within 13 weeks after re-entering the job market. In normal situations, claimants who gave up their jobs were considered to be voluntarily unemployed and they temporarily lost their entitlements.<sup>73</sup> The Linked Spell rule thus encouraged beneficiaries to try out working by protecting them from financial risk should the return to employment not work out. Although the rules were made stricter in 1980 (SSA 2/1980) by shortening the period of this income protection from thirteen to eight weeks, the Linked Spell Rule was maintained to encourage unemployed persons to try to work. The Employment Trial Programme introduced in 1989 followed the same line of incentives to work, as it allowed the people previously unemployed for 26 weeks or longer to leave a job after between four and twelve weeks without loss of benefit rights (even if they became voluntarily unemployed) (SSA 24/1989).

### Tighter obligations and sanctions for the recipients

The Restart programme, introduced in 1986 (SSA 50/1986), was the first major activation programme in the UK (Wikeley; Oigus and Barendt 2002). It obligated recipients to attend interviews after six and twelve months of unemployment, where claimants

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72 As discussed in Chapter 2, most in-work subsidies exist alongside unemployment benefit schemes (see e.g., Pennings 1990) and therefore are not included in the present research.

73 Since the inception of the national insurance scheme in 1911 (NIA 1911), it had not been possible to receive unemployment benefits if workers voluntarily left their jobs (see e.g., Wikeley, Oigus and Barendt 2002). Instead, in this case the claimants' benefit was postponed for the maximum of six weeks.

could get advice on job search etc.<sup>74</sup> The interview itself was a part of the process of ascertaining the claimants' availability for work. In 1990, the employment office introduced Back-to-Work Plans, which greatly resembled the Restart programme (SSA 27/1990). The Back-to-Work Plans made the interviews more frequent, and introduced individual plans that defined the necessary steps for claimants' labour market reintegration (such as training or work experience). For the long-term unemployed the programme was obligatory and those who rejected it faced sanction measures. For other recipients, Back-to-Work Plans were not obligatory in principle, but they carried some evidential value if the recipients were sanctioned for not actively seeking work. The Restart and Work Trial programmes were the first steps towards increased work-related conditionality, and during the 1990s more crucial steps were taken as discussed shortly. More generally, the rules in the late 1980s made it more difficult for all UB recipients to turn down possible job offers. In 1989, the ruling of Permitted Period was tightened so that UB recipients could restrict their job-search (in terms of education and former work experience) only for the first 13 weeks of unemployment (SSA 24/1989). In practice, this meant that all claimants were in the same position after three months of unemployment: even a highly educated and skilled person must be available for the simplest manual work if they cannot find work in their normal field after 13 weeks.<sup>75</sup> Social security legislation not only required claimants to comply with positive incentives to seek work, it also imposed financial sanctions. The suspension of benefit for actions inconsistent with willingness to work has been a part of the law since its origin (NIA 1911), however, since 1980, rules have changed. In 1986, the maximum sanction period was extended from its initial period of six (NIA 1911) to thirteen weeks and then, in 1988, to twenty-six weeks (SSA 50/1986, SSA 7/1988). The 1988 Act also provided that claimants received no UB during the sanction period, and that any period for which a person is sanctioned count for the purposes of maximum of 26 weeks' entitlement. Under former rules, the consequences of a disqualification delayed the receipt of benefit entitlement rather than eroded it, as it did now. Furthermore, the new activation programmes discussed above (Restart, Back-to-Work Plans, and YT for the young) were tightly bound to punishments: refusal or dropping out of the programme led to sanctions, and possibly to exclusion from the programme.

The introduction of the Jobseeker's Allowance, 1990–1996: Lower benefits, stricter conditions and towards a greater activation

Another economic recession in the early 1990s led to a rapid increase in social security spending generally and unemployment provision in particular.<sup>76</sup> Reducing

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74 Also prior to 1986, the unemployed could attend interviews to improve their chances of finding work and questionnaires had already been introduced for beneficiaries at six and twelve months.

75 Together with Permitted Period ruling in 1989, the conditions for re-qualifying for UB were tightened so that persons must have worked for 13 weeks within a 26 week period to re-qualify for UB. Previously, to re-qualify the claimant must have worked for thirteen weeks (without time limit).

76 The public expenditure on unemployment (as a percentage of GDP) rose from 0.6 in 1989 to 1.3 in 1992 in the UK



benefit levels further was politically difficult after the series of cuts implemented in the 1980s, therefore, savings had to be generated in alternative way, for instance by further targeting benefits to those in need and by increasing incentives to move off benefit and into employment (see more, Timmins 2001: 524–525). In 1995, the Jobseeker's Allowance (JSA) was introduced leading to a fundamental revision of unemployment provision (JA 18/1995). The reform was the culmination of the cost containment measures implemented in the past and tightened further the conditions for the current recipients.

#### Stricter (work-based) access

The JA of 1995 provided both insurance benefits (Contribution-based JSA for those passing the NI contribution condition) as well as means-tested assistance (Income-based JSA for those passing the means-test). Both JSA programmes included more stringent conditions for persons' availability for work, active search for work, and acceptance of job or training offers than their predecessors. New to the Act was the requirement that the unemployed had to sign a Jobseeker's Agreement, a contract made between claimant and the employment office that laid down the steps to be taken towards finding employment.<sup>77</sup> The new Law also contained measures for claimants who acted in a violent or abusive manner or whose behaviour or appearance undermined their prospects of finding a job. Employment office staff was given a right to use Jobseeker's Directions, administrative obligations, to force the claimants to improve their chances of finding a job. These directions could take the form of, for instance, requiring people to apply for a particular job, to undertake training or increase motivation, or to take steps to improve their appearance (clothing, hairstyle) or behaviour (Wright 2003a; b; see more e.g., Lundy 2000).

#### Towards lower rates

The JSA also generated much lower entitlements compared to the former UB programme. In particular, the Contribution-based JSA was made less generous. The level of the Contribution-based JSA was made age-related (and divided to three categories under 18, 18–24, and 25 and over) providing much lower benefits (–20%) for claimants aged 18–24 even though they had paid the same amount of contributions as the others in their earnings-category.<sup>78</sup> The level of Contribution-based JSA could also not

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(OECD 2004). As indicated in our research, the rise in expenditure could not be generated by increases in the benefit level, rather it was due to a steep rise in the number of claimants.

77 The Jobseekers' Agreement was a stricter measure than its predecessors (job search plans under Restart and Back-to-Work Plans as it made its signing a mandatory requirement with benefits paid only after filling in this document. Moreover, the change in rhetoric from speaking of unemployed persons to jobseekers when referring to the claimants of unemployment provision manifested a shift towards more active and conditional approach.

78 In April 1996, the UB was paid at the rate of €69 a week, but in October 1996 the rates were lower: €41 for person under 18, €57 for persons aged 18–24, and €69 person older than 24.

be supplemented by any increase (such as spouse increase) previously available under UB. Significantly, the duration of Contribution-based JSA was shortened from one year to six months, which meant that the recipients moved more quickly to reliance on means-tested provision.<sup>79</sup> The level of Income-based JSA was the same as its insurance counterpart (also made age-related), but the entitlements were based on family composition, which in many cases generated lower benefits for single households than the insurance benefit. As a legacy from social assistance, the Income-based JSA could still be supplemented with child additions. The Income-based JSA remained unlimited in duration so that the unemployed could claim it as long as they passed the means-test. New to the Income-based JSA was the introduction of a three day waiting-period, which postponed the payment of benefit shortly.

Although Contribution-based JSA recognised in principle no means-test, any occupation pension income exceeding €72 a week reduced the payable amount. The JSA allowed a somewhat higher (previously €50 a week) occupational pension income than the former UB, but the means-test applied to all recipients of occupational pension irrespective of their age. Furthermore, as had been the case under UB, unemployed persons were allowed to earn a modest amount while claiming unemployment benefit.<sup>80</sup> These earnings-disregards were aligned for both JSA claimants and were set to €7.4 a week, which was lower than before under the UB. Also similar to the past, the earnings-disregards were a hidden constant (Atkinson and Micklewright 1989) whose effect eroded in time as these disregards were not raised annually. Additionally, a slightly higher (€22 a week) earnings-disregard was introduced for certain vulnerable groups such as lone parents and disabled people under the Income-based JSA, which encouraged them to work.

#### Increasing the use of sticks and carrots

Finally, JSA included various elements of work incentives, obligations, and sanctions for the jobseekers. The Employment Trials programme had since 1989 encouraged recipients back to work, when it allowed people previously unemployed for 26 weeks or more to leave a new job after between 4 and 12 weeks without loss of benefit right. In transition to the JSA, the necessary period of unemployment was shortened from 26 weeks to 13 weeks. In 1995, Back-to-Work Bonus introduced a new springboard to full employment. It was a tax free lump sum to which claimants could build entitlement through part-time work when they were claiming JSA (or social assistance). The sum began to accrue if the claimant had been in receipt of JSA for 91 consecutive days

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79 The rules governing re-qualification once the maximum duration had expired also changed. A further period of 182 days entitlement followed where claimants satisfied the contribution conditions.

80 Additionally, recipients were not allowed to be engaged in full-time work, even if earnings were below the earnings-limits. The JSA altered the full-time work definition so that, working or studying more than 16 hours a week (parallel to IS) ruled one out of JSA, as opposed to previous rule of 21 hours a week. For Income-based JSA (as their partners work status applied as well) softer rules were applied: partners were allowed to work up to 24 hours per week, but the household income had to be below the prescribed limit.

and it could be claimed when the claimant was no longer in receipt of JSA. The aim of the bonus was to ease the transition into full-time work. Finally, a Project Work pilot was introduced in 1995 that aimed at helping the long-term unemployed (aged 18–50 who had been claiming unemployment provision for two or more years) back to work. During the first 13 weeks on the programme, persons were offered intensive guidance on job searching through sessions with client advisers. If the recipients had not left the unemployment register at the end of the 13 weeks, they were required to spend a further 13 weeks on work experience on special projects or in voluntary agencies. Penalties were imposed on those leaving the programme, and the strictness of these sanctions increased. In 1988, the maximum sanction period had been extended to twenty-six weeks, but the consequences of the maximum sanctions became harder under the new JSA. As the maximum duration of Contribution-based JSA was only six months, claimants who were imposed the maximum sanction (26 weeks) received no insurance benefit, rather they fell to means-tested JSA immediately. In short, the right to unemployment protection under JSA became much more conditional on the individual's own participation in the process of returning to the labour market, which was supported with less attractive benefits, that is, less generous benefit rights with lower levels of benefits and shorter duration.

1997 onwards: Transformation of the welfare state from a 'safety net in times of troubles to a springboard for economic opportunity'

Between 1979 and 1996, households with no one in employment had more than doubled from less than one in ten to just less than one in five working-age households, giving a total of 3.4 million workless households (Powell 1999: 155). Given these problems, the New Labour government adopted a new Welfare to work strategy based on the rubric in the title of this section. Since the JSA, no startling cuts have been made to the benefit structure, but at the same time unemployment protection has been linked more closely to the individuals' own actions (and willingness) to become employed.<sup>81</sup> The introduction of New Deal (ND) programmes from 1997 onwards for the young, long-term unemployed at the first phase, and later the disabled, older (50+) workers, single parents, and claimants' partners (2000–2003) has been an important activation measure. Furthermore the government adopted, as a part of the strategy to make work pay, measures such as the Minimum Wage (1999) and various tax credits (2000–2003) in order to promote paid work.

#### Strategy for welfare to work

The ND was introduced by the New Labour government as a strategy for getting certain categories of claimants, namely eighteen to twenty-four year olds, lone parents, the disabled, and those over twenty-five who have been unemployed for two years,

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81 In 2000, the pensioners' earnings-disregards were raised for the Income-related JSA.

back to work. Its first stage is known as the 'gateway' period, which was intended to provide claimants with an intensive period of counselling advice and guidance. In these Work Focused Interviews (WFI) claimants and their personal advisers drew up a ND Action Plan indicating realistic job goals (DSS 1998e; see also Lundy 2000: 305–307). The intention of the ND programmes was that the claimants would find employment or enter a ND option before the end of the gateway period. There are four ND options: full-time education or training, a subsidised job, voluntary work, or work with the environment taskforce. The government emphasised that there is no fifth option. At the end of the option, if the claimants still are without work, they can re-claim the JSA. As of 19th March 1999 (implemented already in JA 1995), claimants aged 18 to 24 without children were required to claim JSA jointly. Previously only one partner in a couple claimed JSA, and only the person claiming was subject to the labour market conditions. As of then, the obligation to reintegrate was extended also to partners. The intention of joint claims is to ensure that both partners in childless couples are directly involved in the labour market, to prevent them from becoming dependent on benefit from an early age. Compulsory ND programmes (for young and long-term unemployed) have been bound closely to sanctions. Refusal to take part in an ND option causes the application of ND sanctions (the partial or total withdrawal of benefit for two to four weeks) and since 1999, special (and extremely strict) ND sanctions have been applicable for 18–24-year-olds refusing ND offers repeatedly (SSA 14/1998). The young breaking the rules for a third time, lose their benefits for 26 weeks, being the toughest benefit sanction regime ever seen in the UK. Also claimants' partners' unwillingness to go through labour market conditions (such as WFI) results in imposing sanction measures.

#### Make work pay

The ND programmes were but one aspect within Labour's Welfare to work strategy. Some of the voluntary ND programmes (ND for the disabled, ND50+), encouraging recipients to try out working, have been recently replaced by various tax credits. The impact of the tax credits has increased in providing a sufficient livelihood in the UK (Sinfield 2003; Adler 2004). Access to tax credits (wage subsidies) implies that claimants must be employed (in a low paid job), and therefore, this is generally not available for the unemployed claiming JSA.

#### Conclusion of the British unemployment benefit reforms

In sum, the last 26 years have meant much stricter conditions for the British unemployed together with much lower benefits. In 1980, repeated cuts to benefit entitlements and tighter links to past work activity made the UB programme less generous and more difficult to access. Furthermore, new claimants and recipients (already claiming benefits) were required to play a more active role in their (re)employment. During the 1990s the nature of the reforms shifted from alterations in benefit eligibility and

entitlement towards more work-based requirements and obligations. The reforms of the early and mid 1990s made benefit receipt more conditional on individuals' own participation in the process of (re)entering the job market, supported by the introduction of a less attractive JSA benefit programme. The recent years have manifested increased (obligatory) activation of the unemployed and reforms have aimed at making it more attractive to work rather than to remain on benefit. Table 3.1 summarises the changes to benefit rights and conditions.

What has happened to benefit rights and conditions under the unemployment benefit programmes? Eligibility is limited to those with the closest ties to the job market. Throughout the decades access to unemployment insurance has been gradually restricted to those with a recent and a longer contribution record. Removal of students, people with an insufficient contribution record, and abolition of the possibility of accumulating credits to meet the contribution requirements have reinforced its nature as a worker's benefit. However, having a necessary work and contribution history is no longer enough, claimants are increasingly obligated to be available for work, seek it actively, and accept a job/training if offered. Although benefit receipt has been closely bound to work, claimants of unemployment benefits are only allowed a marginal income besides the JSA. A slightly wider earnings-disregard has been introduced for certain vulnerable groups (such as single parents etc.), but allowing JSA claimants to have only a minimal work income while being on benefit clearly indicates that these people should rather work than claim benefits. Indeed, for both types of claimants of JSA, the insured as well as the means-tested benefit, the aim is to keep their time on benefit as short as possible by requiring them to 'actively claim benefits' since the first day on benefit until the entry to employment.

The level of unemployment provision has been significantly cut during the 1980s and 1990s. Unemployment insurance as well as means-tested unemployment provision in the UK generates today minimum income benefits, and the concept of compensation inherent in insurance benefits is lost. However, it must be noted that wage-related benefits related to past earnings were a reasonably new phenomenon (since 1966) in the UK. Abolition of supplements, particularly the earnings-related supplements, was naturally a significant loss to UB claimants, but it merely returned the UB programme closer to the intention of the Beveridge insurance programme to deliver a national minimum only. The cut of the duration of the insurance benefit (by a half) under the JSA was a tough measure, and together with the changes to benefit levels, it means that very few people today are eligible to non-means-tested unemployment benefits, and the time that these people are granted insurance benefits is considerably shorter. Apart from direct cuts to benefit levels in the early 1980s, for most people changes have been more creeping and incremental; but altogether, the changes have led to very different benefit rights. The analysis shows, however, that there is a group, who has faced more direct measures to their benefit eligibility and entitlement. Young people (students, people with insufficient contribution record etc) have experienced the most considerable reductions who often have been removed permanently from the programme, or been made relying on another programme (for instance the YT),

**Table 3.1.** *Changes in benefit rights under unemployment benefit in the UK 1980–2006.*

	1980s	1990–1997	1997 onwards
<b>ELIGIBILITY</b>			
Scope of persons	– No access to students		
Requirements	<ul style="list-style-type: none"> <li>– Abolition of reduced rate UB</li> <li>– Earnings-disregard raised</li> <li>– Freeing of older persons from availability for work</li> <li>– No sanctions if accepting redundancy</li> <li>– Contribution requirement tightened</li> <li>– No crediting possible</li> <li>– Must actively seek work</li> </ul>	<ul style="list-style-type: none"> <li>– Jobseekers’ Agreement</li> <li>– Earnings-disregards lowered</li> <li>– Higher earnings-disregards for (working) poor</li> </ul>	<ul style="list-style-type: none"> <li>– Pensioners’ earnings-disregards raised</li> <li>– Work Focused Gateway</li> </ul>
<b>ENTITLEMENTS</b>			
Level	<ul style="list-style-type: none"> <li>– Abolition of ERS</li> <li>– Means-test for occupational pensions for older persons</li> <li>– Abolition of child increases</li> <li>– Suspension of statutory indexation</li> <li>– UB taxable</li> </ul>	<ul style="list-style-type: none"> <li>– JSA payable related to claimants age</li> <li>– 18–24 lower benefits</li> <li>– Means-test for occupational pensions for all ages</li> <li>– 3 new waiting-days for Income-based JSA</li> </ul>	
Duration		– Contribution-based JSA paid for 6 months (as opposed to 1 year earlier)	
<b>ADDITIONAL CONDITIONS</b>			
Incentives	<ul style="list-style-type: none"> <li>– Linked Spell Rule restricted</li> <li>– Employment Trial</li> </ul>	<ul style="list-style-type: none"> <li>– Project Work</li> <li>– Back-to-Work bonus</li> <li>– Employment Trial (access sooner)</li> </ul>	– ND for older people, disabled
Obligations	<ul style="list-style-type: none"> <li>– Restart</li> <li>– Back-to-Work plans</li> <li>– Refusal of work made more difficult</li> <li>– YT for the young</li> </ul>	– Jobseekers’ Directions	– NDs (for young and long-term unemployed)
Sanctions	– Sanctions under the new programmes	<ul style="list-style-type: none"> <li>– Sanction for new programmes</li> <li>– Maximum sanction raised from 6 to 26 weeks</li> </ul>	<ul style="list-style-type: none"> <li>– ND sanctions (2–4 weeks)</li> <li>– Special sanctions for the young</li> </ul>

and have witnessed considerable cuts to their benefits, although they are expected to pay contributions like older persons in the same situation.

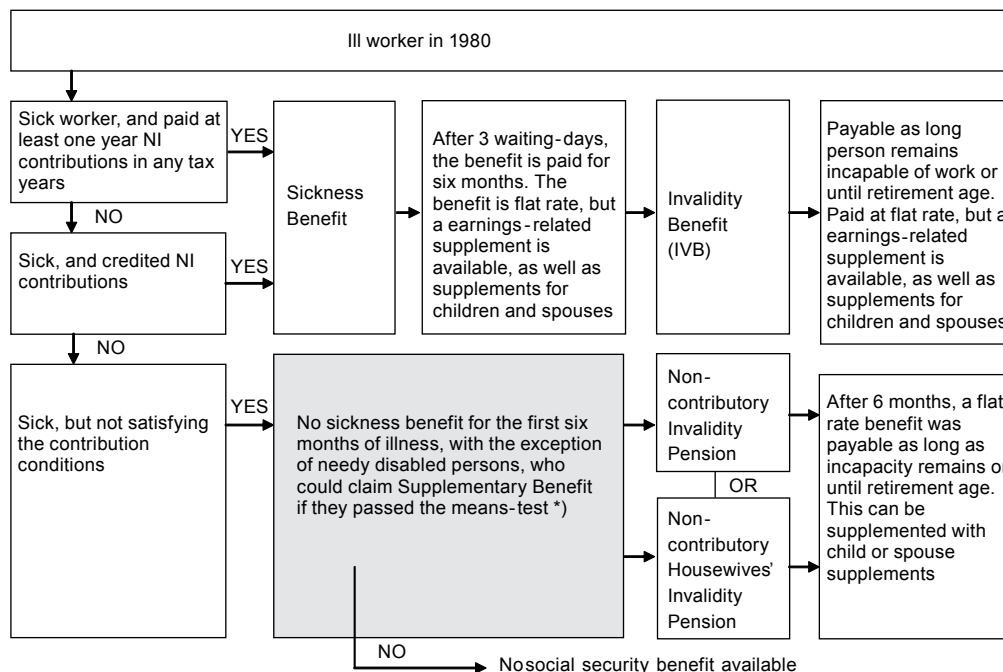
Indeed, passing the conditions for entry to an unemployment programme is no longer enough; rather the claimants are expected to participate more proactively in the process of returning to work. In addition to behavioural obligations for claimants to (seek) work and accept it, incentives such as the Back-to-Work Bonus programmes and the earnings-disregard have been provided to encourage at least some of the recipients to go back to work. Often incentives, including the Linked Spell Rule and Work Trial programmes, have enabled recipients to try out working without facing income losses if they were unsuccessful in doing so. But more than providing incentives, the government (particularly since 1997) has implemented programmes which have made the receipt of benefit conditional upon claimants engaging in activities which improve their prospects of finding work. The ND is perhaps the best example of this increased activation through employment and training programmes, affecting, in particular, the young and long-term unemployed, who face stricter conditions towards re-integration, but as discussed in the next section this activation ideal underpinning benefit claims has been extended to more or less all categories claiming social security benefits. A key element in this make work pay strategy has been the implementation of tax credits; however these incentives are not commonly available to the jobseekers. The government has thus provided a mixture of carrots and sticks related to activation. The more stringent sanction policy (more sticks) has clearly been designed to do more than generate cost savings; it ensures that welfare recipients are compelled to return to work as quickly as possible.

### *3.2.2 Reforming British sickness and disability benefit programmes*

Description of sickness and disability benefit systems in 1980 and 2006

The British system of benefits for the sick and disabled was described in 1978 as 'a ragbag of provisions based on differing, sometimes conflicting and anachronistic principles' by Simkins and Tickner (1978: 17), as indicated by Figure 3.4.

Ill workers who satisfied the NI contribution condition, having paid contributions for at least one year in any tax year, were entitled to DHSS Sickness Benefit (named after the Department of Health and Social Security, referred to as Sickness Benefit hereafter) for the first six months of incapacity. Sickness Benefit (dating from NIA 1911) was an NI benefit similar to the UB discussed earlier, and most of its requirements in 1980 were the same: the contribution record of certain categories of persons could be credited, the benefit was a flat rate payment (€30 a week in 1980), the level was topped up with an earnings-related supplement (ERS) after the first 12 days and the benefit could be supplemented with increases for a dependent child (€1.8 a week per child in 1980) and/or spouses (€18 a week in 1980). In addition, eligibility required medical proof of incapacity for work. A peculiarity of British sickness provision was that claimants (both short-term and long-term) were required to be fully disabled as the system provided no partial disability benefits. After six months, disabled claimants were automatically entitled to Invalidity Benefit (IVB from now on) (also originating from NIA 1911), paid as long as the person remained incapable of work or until reaching



\*) Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For SB see the section of social assistance 3.2.3.

Figure 3.4. Route to British sickness and disability protection programmes in 1980.

retirement age and moving onto state pension. IVB was paid at a slightly higher flat-rate rate (€38 a week in 1980) than Sickness Benefit. IVB could be supplemented by an age-related allowance. The age-related allowance favoured younger claimants: the younger they were at the time they became incapable of work, the higher rate they would receive.<sup>82</sup> IVB could also be supplemented by ERS, for a child (€11 a week in 1980), or spouse (€23 a week in 1980), which were paid at a higher rate than those paid with Sickness Benefit. IVB was payable until men were 70, or women were 65, that was, five years over the statutory retirement age.

Persons not satisfying the NI conditions had no right to any sickness provision for the first six months, but after that they could be granted non-contributory benefits based on the 1975 Act. There were two long-term benefits available for incapacity for work: the regular Non-contributory Invalidity Pension (NCIP) and the Non-contributory Housewives' Invalidity Pension (NCHIP). The NCIP was payable for men who could

82 This was clearly a different paradigm (and a contrasting one as Simkins and Tickner 1978 claim) for the young than the insurance principle underlying unemployment benefits. The explanation for this difference was not only that the younger disabled people would typically have greater financial commitments, but also that during their normal working life as an wage earner, people should be able save for their retirement and that a younger disabled person should be compensated for their inability to do so (Ogus and Barendt 1982: 163).



not claim IVB due to lack of necessary NI contributions, but who were incapacitated for work. In case of NCHIP, the benefit was paid for women incapable of performing normal household duties. Otherwise, the NCIP and NCHIP resembled IVB payments: the benefits were paid at flat-rate (but paid at approximately two-thirds of the IVB rate: (€28 a week in 1980), and could be supplemented with child (€11 a week in 1982) or spouse (€17 a week in 1982) supplements. No age-related allowances were available, but the benefits were granted until the age of 70 for men and 65 for women. Figure 3.5 outlines the developments since 1980.

In 1982, a new short-term sickness benefit was introduced: Statutory Sick Pay (SSP) that took over the short-term sickness provision for the majority of the workers. Sickness Benefit was sustained at this point, but in 1994 it was replaced by a new Incapacity Benefit (IB) as discussed more in detail below. For short-term sick pay, the IB consisted of two rates (lower and higher). For long-term disability, IVB was replaced by the long-term IB as from 1995. NCIP and NCHIP were replaced in 1986 with a new Severe Disablement Allowance (SDA), which in turn was abolished in 1999 requiring new claimants to claim IB instead. Perhaps while not being a ‘ragbag’ as described almost thirty years ago, the present system for sick and disabled people remains complex as described in greater detail below. Figure 3.6 describes the current situation.

Only workers (with sufficient earnings or contribution record) had a right to sickness and disability benefit provision, and no non-contributory benefit was available. Statutory Sick Pay (SSP) covered the majority of ill workers (with earnings above lower earnings limits) for the first 28 weeks of their absence from work. If ill workers did not satisfy the condition under SSP at the commencement of their work incapacity, they might claim short-term IB (paid at lower rate), providing that they passed the NI contribution condition (paid sufficient contributions in any of the previous three years) and their disability was assessed on the basis of (full) in-ability to carry out their own occupational activities. After 28 weeks, recipients who were assessed as (fully) unable to carry out any work were granted short-term IB paid at higher rate (at the same weekly rate as SSP). After 52 weeks, those remaining ill could claim long-term IB until they were no longer assessed as being fully incapacitated for work or until they reached retirement age (65 for men, 60 for women). The current programme provided lower sickness benefits, included stricter requirements to access and stricter medical tests than the system 26 years ago.

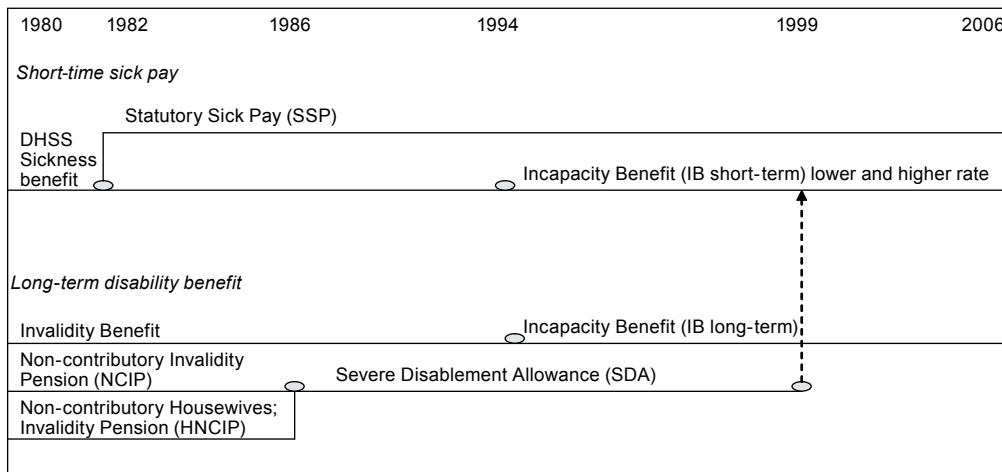
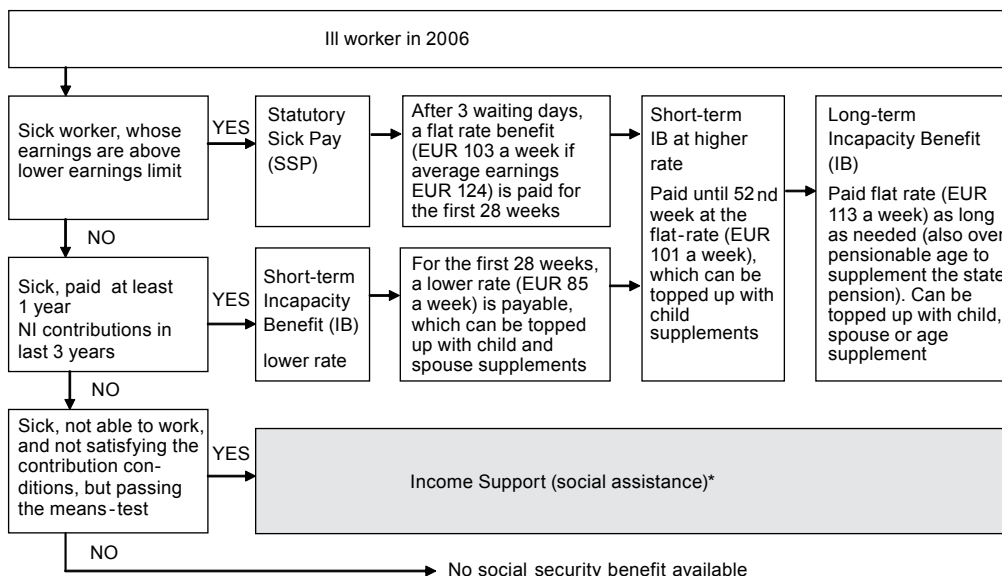


Figure 3.5. Chronological time-line of the changes in the British sickness and disability benefit programmes, 1980–2006.



Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For Income Support see the section of social assistance 3.2.3.

Figure 3.6. Route to British sickness and disability protection programmes in 2006.

## Changes in sickness and disability benefit rules in the UK 1980–2006

Three distinctive periods following the political developments can be traced in the reforms of British sickness and disability benefit programmes: in the 1980s, the process of privatisation began and the levels of the Sickness Benefit were lowered; the period from 1990 to 1997 consisted of the completion of privatisation and implementation of stricter access to the benefits, and from 1997 onwards there was a move towards greater activation of disabled.

### 1980–1990: Beginning of the privatisation of sickness benefit provision

The Thatcher government had strong ideological ideas about the future shape of social security that saw a greater role for private provision (see e.g., DHSS 1980). As a consequence, the privatisation of sickness benefit was started in 1983.<sup>83</sup> At the same time, rights under Sickness Benefit and Invalidity Benefit programmes were considerably tightened, following Mrs Thatcher's wishes to reduce the scope and costs of the public sector (HM Treasury 1979).

### Introduction of Statutory Sick Pay

A series of reforms in the 1980s and 1990s eventually led to the privatisation of short-term sick pay in 1994 (see also Evans 1998).<sup>84</sup> Since the Second World War there had been a considerable growth in the coverage of the occupational sick pay: in 1981 it was estimated that approximately 90 per cent of employees were covered by such programmes (Ogus and Barendt 1982: 160). Although the occupation programmes greatly overlapped the public sickness benefit provision, entitlement to the public programme remained unaffected. Employers often took the public provision into account in their calculations. The system was costly since two claims for the same contingency had to be processed. It was mainly to reduce expenditure that Thatcher's government proposed that employers should be bound to provide sickness benefit for the first eight weeks of incapacity (Ogus and Barendt 1982: 160). In 1982, employers became responsible for sick pay in the first instance, but they could get the costs reimbursed by the central government (SSHBA 24/1982). In 1986, the scope of SSP was extended to twenty-eight weeks (SSA 53/1985). During the 1990s privatisation

83 Although the privatisation of sickness benefit and encouragement to take out personal pensions were considered as beginning of more privatised welfare provision they remained however more or less the only steps in the path of deregulation of the labour market (Evans 1998: 260). Thereafter, both Conservative and Labour Governments have still promoted further privatisation, without a greater success and despite evidence of its costs and consequences (Burchardt and Hills 1997; Burchardt; Hills and Propper 1999).

84 Privatisation means here that the responsibility of sickness benefit payment provision was shifted from the state to employment (done by gradually reducing reimbursements for employers of their expenses of sick time pay as explained later in the text). The term privatisation should, however, be used carefully since it has more meanings than merely being a matter of public or private responsibility of certain area (of provision, financing, regulation etc.) (see e.g. Barr and Agulnik 2000).

was finalised, when the provision for reimbursement was first reduced to 80 per cent (SSPA 3/1991) and finally abolished (SSPA 2/1994). The principal justification for transferring the costs of short-term sickness to employers was the need to improve incentives for employers to tackle high rates of sick leave (DSS 1990; DHSS 1980).<sup>85</sup> From the perspective of claimants' rights, the introduction of the SSP generally altered the category. As most workers qualified for SSP (having earnings above lower earnings limit), only small group of employees, such as self-employed, and those employed for a period of less than three months remained eligible for Sickness Benefit, providing of course that they satisfied the NI contributions record required. The consequences of the privatisation of the programme on benefit entitlements were reasonably favourable, as discussed next.

Targeting the benefit levels: Increases for workers eligible to SSP, decreases for the rest

SSP initially comprised of three earnings-related rates (reduced to two rates in 1986 and finally into one in 1994) and provided higher benefits for the first 28 weeks of sickness than Sickness Benefit. From April 1983, weekly payments of €53, €45 and €36 were made available for SSP claimants earning €86,578 or over, between €64,934 and €86,578, and less than €64,934 respectively (Ogus and Barendt 1982: 162), but many employers paid the entire wages lost during this initial period of sickness. By comparison, the weekly standard rate for Sickness Benefit was €36 in 1982–1983 (Ogus and Barendt 1982: 135). The difference in the level of payment of SSP to the parallel sickness provision started to considerably expand after the earnings-related supplement (ERS) was abolished from Sickness Benefit in 1980. Aimed now at assisting low income recipients, Sickness Benefit could still be supplemented for dependants. However, the level of the weekly child increases was very modest (amounting €0.43 per child in 1982) (Ogus and Barendt 1982: 366).<sup>86</sup> Furthermore, the level of Sickness Benefit was cut due to the changes in the indexation mechanism in the 1980s. As discussed in the section on UB, NI insurance benefits (including Sickness Benefit) were first raised at five per cent less (1980–1981) than increases in prices (SSA 2/1980), culminating eventually in the abolition of the statutory obligation for the Secretary of State to annually raise the level of Sickness Benefit (SSA 50/1986).<sup>87</sup> Importantly though, applying to the IVB and other long-term benefits (including pensions), indexation was linked to increases in prices, rather than prices or earnings, whichever was more favourable for the recipients as done earlier (SSA 2/1980).<sup>88</sup> From 1982, government adjusted benefits solely in

85 In 1992, The UK had the highest proportion of the working week lost to illness or sickness (2.7 per cent) in the EC after the Netherlands (almost 5 per cent).

86 The level of the weekly child increases varied from a modest €0.43 for person below pensionable age to a more generous €11.47 for those above it per child. (Ogus and Barendt 1982: 366).

87 The SSP has never had to be indexed in line with the rise in prices, thus it can be less favourable for benefit recipients. Lewis (1991: 159–160) has recorded that freezing of the higher rate of SSP in the early 1990s led to savings of £100 million out of total SSP bill of around £955 million a year.

88 For most of the period since the Second World War long-term social security benefits had been raised to match rises in the general level of earnings in the economy. This was often delayed until just before elections, but by 1983 the

line with prices resulting in substantial erosion in the value of long-term benefits: the percentage of the average wage income of IVB fell from over 23 per cent of average male earnings in 1981 to 15 per cent in 1993 (Glennister 1995: 182).

Furthermore in 1984, the Non-contributory Invalidity Pension (NCIP) and Housewives' Non-contributory Invalidity Pension (NCHIP) were replaced in 1984 by a new Severe Disablement Allowance (SDA) (HSSA 48/1984). The SDA, sometimes also called 'a poor (wo)man's incapacity benefit' (Wikeley 2000: 376) brought non-contributory compensation under one programme and removed the sex discrimination claimed to have existed under its predecessors.<sup>89</sup> It catered to those incapacitated in youth (under the age of 20), or if incapacitated later in life, those who did not pass the NI contribution record, but who were assessed as 80 per cent (or more) disabled. Unlike the NCIP and NCHIP, the new claimants for SDA had to be under pensionable age (60 for women, 65 for men). The SDA was a more stringent programme than its predecessors as it required a stricter medical test of severe disablement (for those older than 20).<sup>90</sup> In transition to the SDA the rates were not altered greatly.<sup>91</sup> The level of the SDA was, however, raised by the introduction of an age-related addition in 1990, which favoured younger above older claimants.<sup>92</sup>

#### Stricter (work-related) access

Access to short-term benefits was considerably restricted in the 1980s. The introduction of the SSP, as discussed earlier, was favourable for those workers who qualified for it, but in order to access SSP, earnings above a pre-described lower earnings limit were required. Although this was a tougher condition than applied to Sickness Benefit, the majority of workers qualified in 1983 (Lewis 1991: 159). However, in addition the NI contributions record requirements under the Sickness Benefit were made stricter in the 1980s. In 1986, the reduced rate of Sickness Benefit, payable where NI contribu-

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real value of the basic pension (for a married couple) had more than doubled since 1948, and was at its highest point compared to the average after-tax income (Glennister 1995: 182).

89 With changing social values, increasing female employment, and pressures towards gender equality arising from EU membership, British social policy aimed at the time towards greater sex equality. In addition to implementation of the SDA, another Act (SSA 1985 c. 53) extended the right to retirement pension and invalidity pension among husband, wives, and housekeepers.

90 The young under SDA were eligible to the benefit without passing a severe disablement test providing that their incapacity to work started before their twentieth birthday. For others, they had to pass the 80% disablement tests. Any type of mental or physical illness or disability could count towards 80% disablement for the purposes of SDA, and the medical evidence given by the claimants' GP followed that set put in a 'Schedule of Prescribed Degrees of Disablement'.

91 The weekly rate of NCIP (and NCHIP) was €29.50 a week in 1984 (plus €17.67 for a dependant spouse, and €11 for each dependent child). SDA was paid as of November 1984 at €31 a week (plus €18.54 for an adult dependant and €11 for each dependant child) (DHSS 1984: 75)

92 The age addition in 1990 consisted of three rates: a highest rate for people under 40 years-of-age, a middle rate for persons aged 40–50; and the lowest rate for persons aged 50–60. The age addition under SDA followed the same line of favouritism for the young as the IVB age allowance (as discussed earlier).

tion records were incomplete, was abolished (SSA 50/1986). This, as discussed earlier within UB reforms (1986), made access to the NI programmes more difficult, particularly for the young and persons with an irregular work history. However, unlike UB claimants, disabled people (with low earnings or interrupted work histories) could still be credited as having sufficient contributions, and consequently, still be entitled to benefits even if they had gaps in their employment past.

#### Modest encouragement to work

Although the reforms implemented in the 1980s did not aim primarily at activating the disabled, the reform of the Linked Spell Rules (discussed already in the previous section) encouraged the disabled to try out working (SSA 2/1980). Even though the Linked Spell Rules were generally favourable for UB beneficiaries (although the trial period for work was cut from 13 to 8 weeks in 1980), the consequences for the long-term sick were less advantageous. Recipients of IVB who went back to work for a longer period than eight weeks and then became incapable of work again, were not re-granted the long-term disability provision immediately. Rather, they had to first claim Sickness Benefit, payable at a lower rate for six months, after which they qualified for the IVB again. This generated rather negative incentives to return to the job market for the disabled.

#### 1990–1997: Lower benefits, stricter access, and enhanced medical testing

In addition to the finalisation of the privatisation of sick pay provision, the second period comprising the years 1990–1997 witnessed also a considerable revision of sickness and disability programmes. This was preceded by an extensive growth in both the number of claimants and the costs of the benefit. In 1978/1979 there were 612,000 recipients claiming disability benefit, but by 1992/1993 this had risen to 1.5 million (Wikeley 1995: 525). Also the costs of this benefit had doubled since 1982/1983 (Wikeley, Ogus and Barendt 2002: 524). Furthermore, it became apparent that disabled persons were at a high risk of marginalisation and that disability benefits had become a form of surrogate early retirement or a long-term alternative to unemployment benefit.<sup>93</sup> These and other factors led to the replacement of Sickness Benefit and IVB by a new Incapacity Benefit (IB) in 1994 (see e.g., DSS 1990).<sup>94</sup>

93 Lonsdale et al.'s (1993) survey of IVB claimants in the early 1990s indicated that three-quarters of long-term recipients were older people (in their fifties and sixties), who had lost the touch with labour market and for whom IVB was a bridge from work to retirement. Furthermore, 80 per cent of the new IVB claimants were also found to be claiming benefits after over a year (Erens and Ghate 1993). There appeared to be a 'ratchet effect; with the numbers of IVB receipt, rising with increasing unemployment, but failing to go down when unemployment later fell (Berthoud 1993).

94 The underlying reasons for the increasing numbers of IVB recipients were much more complex as discussed in the studies of Disney and Webb (1991) and Holmes et al. (1991).

### Completing the privatisation of the sickness benefit

By 1994 employers were fully responsible for SSP. In theory at least, employers were now given more incentives to supervise their own employees in respect of claims for short-term sickness and it was hoped that this would lead to better and earlier modes of intervention and prevention of long-term illness (see also e.g., Dean and Taylor-Gooby 1990).

### Introduction of Incapacity Benefit

In 1994, a new Incapacity Benefit (IB) unified the short-term and long-term benefits for incapacity for work (SSA 18/1994). For short-term sickness benefit, IB consisted of two benefits, a lower rate short-term IB for the first 28 weeks and a higher rate short-term IB paid until the 52nd week. After one year, an individual could claim long-term IB, which was paid as long as they remained incapacitated for work, or up until state pension age (60 for women and 65 for men). This reform restricted access and reduced benefit levels as discussed next.

Stricter access: The stringent medical proof of incapacity for work and longer contributions record required

IB required the claimants to satisfy a new contribution record condition to qualify for long-term provision. For short-term IB, the contribution record condition of the previous Sickness Benefit was maintained (one year in any tax years), but for long-term IB a stricter condition was set (two years in any tax years).<sup>95</sup> The possibility for crediting people with deficiencies to meet their contribution requirements was maintained (as opposed to UB), making IB still accessible to some vulnerable groups. However, IB prevented people linking a current incapacity with a previous period of unemployment, as the relevant contribution years started from the date when the incapacity began, not the period of interruption of employment as earlier. Most significantly, the introduction of IB symbolised a landmark for increasing medical inspection in the UK. Already in 1984, pre-described functional tests of severe disablement had been introduced for SDA claimants, but medical inspection did not start to play a more significant role in assessing benefit rights until the introduction of IB in 1994. Two new tests were introduced: an Own Occupation Test and an All Work Test. The Own Occupation Test applied for the first 28 weeks of incapacity for claimants (similar to both IB as well as SSP applicants) and it assessed if workers were too ill to work at their usual occupation.<sup>96</sup> In practise, the claimant's own General Practitioner (family doctor)

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95 The NI contribution in the UK are rather complicated, in addition to the requirement of the years paid or credit, the eligibility depends also on the actual value of the contributions (this was not altered in the amendment in question).

96 Also failing to attend a departmental medical examination (after 7 days self-certification period) leads to the claimants being treated as capable of work).

usually carried out the Own Occupation Test and produced a sickness certificate that proved that the individual was not capable of doing their usual job. The second and harder All Work Test tested (in)capabilities at the 28th week of sickness. Previously under IVB, the periodical assessment could take into account the claimants' age and qualifications, but the All Work Test under IB defined whether the recipients were capable of doing any job at all (regardless of the likelihood of them getting such a job or its suitability). This was a much harder condition and it became much more difficult to be assessed as incapacitated for work. It was estimated that over the first two years after the introduction of the All Work Test some 222,000 existing recipients would be denied the IB under it, while some 55,000 new claimants, who would have qualified had the old IVB test applied, would be ruled out by it (Bonner 2005: 30).

### Lower levels

Even though the revision of the sickness and disability benefit programme lowered benefit entitlement, SSP benefits were raised for the workers in the same year by abolishing the lower rate of SSP, and introducing a single weekly rate for SSP (€75 in 1995). At the same time, all recipients of IB experienced a reduction in their entitlements. Short-term IB was paid for one year, as opposed to only six months under its predecessor. As the benefits paid under the short-term provision were lower than the ones paid under long-term IB, recipients faced lower benefits for a longer period than before. Furthermore, under short-term IB, access to dependent adult supplements was denied for most claimants: only persons over 60 and having small children could qualify for additions. The introduction of IB was particularly detrimental to the claimants of disability benefits, since they lost their generous earnings-related supplement. The former IVB had been the last pre-pension benefit to contain an earnings-related element (this was abolished already in 1980 for Sickness Benefit), and anomalously it could be paid for five years beyond pensionable age. Certain other supplements remained payable under long-term IB, for instance, the dependent adult supplements, of which levels were even raised in 1994. Moreover, age-related allowances remained payable under long-term IB. Instead of the three rates of age-related allowance available under IVB, there were only two rates for IB: a higher amount for those aged under 35 and a lower figure for those aged between 35 and 45.<sup>97</sup> This represented a considerable cut in the value of the age-related addition, not only it became payable later (after 52 weeks as opposed to 28 weeks earlier), but claimants aged 45 or older were no longer eligible.<sup>98</sup> This cut significantly the level of IB when compared with its predecessor, given that the majority (66 per cent in 1993) of new claimants were aged 50 and over (Erens and Ghate 1993: ch. 1). The introduction of IB thus generated much lower benefits for new claimants. This was reflected in the increase in the number of the disabled claiming

97 Previously, a highest rate was available to those under 40, the middle rate to 40–49, and the lowest rate to those aged 50–59 (or 50–54 if female).

98 Excluding the payment of age allowances to those under 45 meant loss of income of €5.48 a week in comparison to the past (Howard 1994: 365).



means-tested provision. According to Wikeley (1995: 533) only about seven per cent of IVB claimants had received means-tested social assistance, but the number rose to 35 per cent for IB claimants between weeks 29 and 52, and to 30 per cent for persons receiving the long-term IB. In all, after the introduction of stricter medical tests, a tighter contribution record and less generous benefits during the 1980s and the early 1990s, IB was a less attractive provision and much harder to become entitled to than its predecessors. Workers claiming SSP were less affected by the stricter changes, however, the effect of SSP on compensating for lost income remained limited to only the first 28 weeks of illness.

1997 onwards: 'Work for those who can and benefits for those who can not'

The expenditure on benefits for the sick and disabled has increased from just over €7.2 billion in 1979 to €34 billion in 1996/1997, making it one of the fastest growing areas of British social security (Powell 1999: 158). After the fundamental reform of IB in 1994, questions around disability benefits revolved around how to provide work for those recipients that can work, and livelihood for those who cannot (DSS 1998d). Consequently, from 1997 onwards, a shift towards encouraging claimants 'back to work' took place. Furthermore, the requirements for entitlement were tightened and more closely linked to past labour market activity and medical testing.

Entitlement limited to the disabled with a sufficient work history

Since 1997, entitlement to IB was linked to stricter conditions related to, on the one hand past work history (contribution record), and, on the other hand, to further (and stricter) medical testing. The importance of past labour market participation (through having a sufficient contribution record) for establishing the right to sickness and disability benefits was affirmed in 1999, when the contribution record was tightened for the IB recipients (WRPA 30/1999). A stricter contribution record was required (sufficient contributions must be paid in any year of the previous three tax years as opposed to in one or two years in any preceding tax years), but it had to be passed only once, on entry to the short-term IB. This was a harder condition, as it acquired all claimants to have more recent ties to the labour market. The change aligned IB contribution conditions with those for contribution-based JSA and linked eligibility to sickness compensation more closely to recent work and contribution activity (for criticism of this, see Wikeley 2000: 375). In the same year, the last non-contributory benefit programme was abolished (for new claimants). The abolition of the SDA in 1999 eliminated a low, but necessary provision for the older people, women, and people with irregular work histories as of April 2001.<sup>99</sup> Persons incapacitated in youth were

<sup>99</sup> Evans also shows (Table 7.11) that non-contributory benefits (NCIP and NCHIP, and since 1986 the SDA) were increasingly linked to means-tested assistance: whereas in 1977, 40% of claimants were also claiming social assistance, this rose to over 63% in 1994. Evans (1998: 281) claims that this is because claimants had very low original incomes, but also because the receipt of these benefits increases the assessment of need for SB or IS and at the same time was

included in the IB programme, even though they did not meet the NI contribution record requirement inherent in the IB.<sup>100</sup> Other categories of people previously claiming SDA, that is, those who became incapacitated later in life (25+), were not granted IB if they failed to meet NI contribution conditions. Consequently, the abolition of SDA hit hardest (non working) women and temporary workers, who now have no access to any non-contributory disability benefit. If they did not qualify for the contribution record under IB, they had to look to Income Support (with disability supplements) to underwrite their incapacity for work.

In 1999, the medical test for incapacity for work was made stricter again (WRPA 30/1999). The All Work Test was renamed as Personal Capability Assessment. At one level, this was only a semantic change, since the criteria for assessing incapacity under the new test were identical to those under the former All Work Test. At another level, however, the change reflected the Labour government's concern that the former test only focused on what people cannot, rather than can, do (DSS 1998d). Rather than assessing claimants' physical and mental limitations for benefit purposes, the Personal Capability Assessment was virtually designed to capture claimants' capabilities and to assist them in getting back to work. Furthermore, as of April 2001, IB (and SDA) recipients were required to attend the Work Focused Interview (WFI) as an integral part of their claim for benefit. That the interviews were work-focused meant that disabled claimants must co-operate with the Benefit Agency by attending the meeting at the specified time and place, and they had to provide any information requested (including the claimants' educational qualifications, skills, training, work experience, and any barriers to work such as child care or ill health). Failure to provide such information meant that the claim was not completed, and benefits could be refused. Participation in reintegration measures (training, work experience and so forth) under the ND programmes remained voluntary for the disabled.

Lower benefit levels for the recipients of pension income

A new means-test for IB, taking into account personal and/or occupational pension income, was implemented in 1999 (WRPA 30/1999).<sup>101</sup> This again aligned disability provision with unemployment protection. However, the reform was softer for IB claimants, as long-term IB was reduced only by 50 per cent if the claimant was in receipt

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ignored in their calculation. Regardless of the (too) low rates, claims for non-contributory disability benefits grew faster than overall spending on social security between 1977 and 1991 (Evans 1998: 279, Table 7.3).

100 The young under SDA had been eligible to the benefit almost unconditionally provided that their incapacity to work started before their twentieth birthday. Now they faced stricter conditions under the IB: claims can be only made if the claimants had registered on a course of full-time education or of vocational or work-based training at least three months before attaining the age of 20 and the incapacity started before the age of 25.

101 As of 1989, IVB was reduced for local authority councillors if they received a special benefit (Councillor's Attendance Allowance) above a pre-described level (SSA 24/1989). This was a relatively petty change, however, very uncontested at the time (Wikeley; Ogus and Barendt 2002: 537). Nevertheless, it was the first of its' kind in British disability policy, can be claimed to have paved way for this 1999 reform related to means-testing.

of an occupational or personal pension above a pre-described limit (of €122 a week or more), as opposed to the harsher rules under the JSA (any private pension of €72 or more a week was deducted (100 per cent) from entitlement). At the same time, the change tackled another route onto the benefit which was perceived to be illegitimate and unwanted, namely early retirement, also discussed earlier in the section on the UB/JSA. In particular, older men could use IB as a way of smoothing their way into retirement, with little or no intention of returning to work, and there is some evidence to support this view (Rowlingson and Berthoud 1996). Under the new rules this was strongly restricted, as according to a study made by Burchardt (1996: 13), a teacher retiring at the age of 55 with an occupational pension could expect to have all his or her IB withdrawn after the reform.

#### Encouragement to work

Since 1999, no significant changes have been implemented to the structure of IB. However, changes in the 2000s have brought the disabled closer to work, at least in principle. Alongside a voluntary ND programme for the disabled and compulsory attendance at the WFI as a part of their IB claim, the claimants' partners (aged 18 and 59) receiving Income Support (IS), Income-based Jobseeker's Allowance (JSA), Incapacity Benefit (IB), Severe Disablement Allowance (SDA) or Carer's Allowance (CA) also had to attend (from April 14th 2004) the WFI if the claimant had claimed these benefit continuously for at least 26 weeks (SI 2003).<sup>102</sup> Failure to attend or answer the questions can result in a decision being made that the partner has not taken part, and a benefit sanction applied to the claimants' benefit. Furthermore, the renewed Permitted Work rule (2002) was facilitated the entry of disabled people to the labour market (SI 491/2001). It abolished the restrictive former condition that benefit recipients could only undertake work if their General Practitioner agreed that it would be beneficial to person's medical condition. This prohibited many disabled people from trying out work if their condition was unlikely to improve in the short-term. The current Permitted Work rules give disabled persons a chance to try out working without a fear of losing their IB. Encouragement to work has been high on the political agenda, but the programmes under observation here require full disability to qualify, which makes employability often more difficult. However, the developments of tax credits have supplemented the general disability programmes, as discussed next.

#### Shift beyond traditional social security provision: Tax credits?

Although the programmes (IB, SSP) discussed here still provide benefit for the fully incapacitated only, since 1992 there has been financial support for people (without children) who had a partial incapacity for work. Prior to 1992, people who were able

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<sup>102</sup> If the partner is claiming another benefit in their own right, they are exempted from the requirements. If more than one specified benefit is being claimed at the same time, they only need to attend one interview.

to work but whose earning-incapacity was reduced by disability had to claim either unemployment benefits or social assistance to compensate their loss of income. This was considered as a considerable weakness of the British disability protection (DSS 1990). In 1992, a new means-tested credit, Disability Working Allowance (DWA) was designed to assist partially disabled people in low-paid employment (working for at least 16 hours a week) (DLA and DWA 21/1991). Although the hopes were high, the DWA turned out to be a disappointment: by July 1999, there were fewer than 18,000 claimants whereas the government had hoped that some 50,000 claims would be made (Wikeley; Ogus and Barendt 2002: 398). Therefore, the DWA was re-launched as Disabled Person's Tax Credit (DPTC) in 1999 (TWA 10/1999). The DPTC increased the generosity of the benefit compared with DWA, and potentially improved take-up. Three years later, the Working Tax Credit (WTC) (TCA 21/2002) replaced most existing forms of support for the disabled to work with a more generous tax provision (see e.g., HM Treasury 2000). Furthermore, to provide more financial incentives for the disabled, the Return to Work Credit (RTWC) was introduced in 2003 which supports IB claimants in the first year of employment and aims at generating another springboard to full employment (TCA 21/2002). Regardless of these improvements for the partially disabled, a wide-scale reform of the IB has been suggested that would bring the long-desired element of income maintenance for the partially disabled together with the general programme for long-term disability (DWP 2006). This will be discussed in the conclusion section of the UK reforms as it shall take place, at its earliest, in 2008.

Tax credits and the introduction of the Minimum Wage (NMWA 39/1999) have been targeted to support different groups such as lone parents, families, and the disabled. It has been shown (Clasen 2005: 83) that the scope of the minimum wage and tax credits are of a much larger magnitude than the ND Programmes. The British governments' forecast for 2001–2002 was to spend €1.329 billion on ND but more than €7.2 billion on tax credits for low earners (Clasen 2005: 83). They have thus become an important part of the new social policy landscape in the UK, and particularly of its intention to make work pay. Although Tax Credits are generally more generous than social security benefits (in that the threshold, beyond which the tax credit is withdrawn, is set at a higher level) their fundamental weakness, particularly for the disabled, is that they focus on the supply side. Wikeley (2000) draws our attention to the fact that the demand side of the equation is equally, if not more, important. Disabled people themselves identify the main barriers to work to be the general lack of jobs, employers; perceptions, and the limitations imposed by impairments (see e.g., Rowlingson and Berthoud 1996).<sup>103</sup> That the disabled are better off in (low) paid employment than drawing social security benefits does not work as long as there are not enough work places and employers willing to hire them.

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103 Acts, for instance the Disability Discrimination Act 1995 (see Appendix 1), aim at eliminating such problems.

### Conclusion of the British sickness and disability benefit reforms

The last three decades have been a turbulent time for the claimants of sickness and disability benefits in the UK as summed up in Table 3.2. The privatisation of sickness benefits, started in the early 1980s and finished a decade later, generated a dual system for short-term sickness provisions in the first instance of work incapacity. Whereas the more generous SSP provided an efficient income replacement for general workers, Sickness Benefit generated less generous (basic) security for low-paid earners targeting higher cash transfers (in form of additional supplements) more accurately towards those in need. During the 1990s, sickness and disability protection was taken over by IB, which brought about stricter contributory requirements and less generous benefits, but also much stricter medical assessment. Since 1997, non-contributory provision has been largely abolished, and claimants face ever increasing medical assessment as well as activation measures.

Similarly to the developments discussed earlier in the case of UB, sickness and disability provision has been tightened to include workers only. The fact that non-contributory benefits are no longer available has considerably changed the scope and nature of benefit provision since 1980. However, certain claimants can still be credited for IB so its contributory requirement remains less strict than that for unemployment benefit. Past work history has become more important during the last decades, and it is crucial that claimants face more stringent medical testing. The tests used today are extremely rigorous: the claimant must be either fully incapable of all work to claim IB, or, as generally the case, they must sign on for JSA or to IS if they fall with one of the prescribed categories (lone parent, recipients of certain disability allowances, elderly), or they can claim particular tax benefits to supplement their low wages. There is no partial disability benefit available within the main programmes (IB and SSP) making British sickness and disability protection rigid and difficult to access. Currently this reform is under discussion in Parliament (see below).

Reforms of sickness provision have in the course of time also led to less generous benefits. Under SSP, workers were granted slightly higher benefits for the first period of their eligibility, but the abolition, or at least restriction of the supplements has led to lower benefits. Long-term IB generates slightly higher benefits than the short-term compensation, but after several supplements have been abolished, levels remain far from being earnings-related. Changes in long-term disability benefit levels are, unlike in the UB section earlier, favourable for the young disabled. Not only are age-related allowances more generous for them, but their access to the benefit programme has been moderated by linking this access to more recent work history and allowing them to join in IB without passing the NI contribution requirements. Older disabled persons have, in contrast, either faced lower benefits or at the most extreme, been removed from disability provision. The recently introduced tax credits can generate higher incomes, but only for those in work.

**Table 3.2.** Changes in benefit rights under sickness and disability benefit in The UK 1980–2006.

	The 1980s	1990–1997	1997 onwards
<b>ELIGIBILITY</b>			
Scope of persons	– Workers to SSP		– Person incapacitated in youth included – No non-contributory benefit available
Requirements	– To qualify for SSP must have earnings above lower earnings-limit – Stricter medical test under SDA – Abolition of reduced rate Sickness Benefit (but still credited)	– Contribution record tighter for long-term IB – Medical tests: Own Occupation and All Work Tests	– Contribution record tightened for all – Personal capability assessment measure what person could do
<b>ENTITLEMENTS</b>			
Level	– NI benefits raised by 5% less (compensated later) – Abolition of ERS from Sickness Benefit – Introduction of SSP with higher benefit levels – Some older IVB recipients right SB – SDA: age allowance raised the level in 1990 – Indexation not statutory	– Short-term IB paid at lower rate 1 year – No ERS under long-term IB – Stricter access to adult supplements under short-term IB – Adult supplement rates raised under long-term IB – Age allowances restricted under long-term IB (favoured young, removed 50+) – Only SSP (higher) rate – IB made taxable	
Duration		– Short-term IB lasts 1 year (not 6 months)	
<b>ADDITIONAL CONDITIONS</b>			
Incentives	– Linking Spell Rules (although made stricter)		– ND for disabled, tax credits, Permitted Work, return to work credits
Obligations			– WFI compulsory for the claimants and later for their partners
Sanctions		– Maximum sanction period extended to 6 weeks	– Sanction for not following the rules under WFI

Although IB generates benefit for the fully disabled only, activation plays a significant role in the lives of benefit recipients. ND programmes remain voluntary for the disabled, but claimants and their partners are now obliged to attend WFI, where their employment possibilities are reviewed. Recent tax reforms have also aimed at providing in-work incentives and higher benefits for those who work. The disabled are thus to a less(er) extent pushed towards the labour market than the unemployed, but the importance of work for those who indeed still can work has increased. At the time of the writing, the current government has announced its plans to revise the IB programme (DWP 2006). We will reflect on this and its importance in our conclusion on the British reforms.

### *3.2.3 Reforming British social assistance benefit programmes*

Description of the social assistance programme in 1980 and 2006

Figure 3.7 describes the social assistance systems in 1980. After the 1966 Supplementary Benefit Act, Supplementary Benefit (SB hereafter) provided means-tested benefits to all people in the UK over the age of 16 whose resources were insufficient to meet their requirements.

Persons engaged in full-time work (working over 30 hours a week) were not eligible to SB, even if their income remained under a prescribed level. In 1980, claimants' capital up to €1,803 a month was disregarded in the means-test, but virtually all income (by claimants or their partners) exceeding €5.77 a week was taken into account (Ogus and Barendt 1982: 484).<sup>104</sup> Depending on the claimants' age, they were entitled either to a pension or to an allowance. The difference being, apart from the age (claimants above pensionable age qualified for pension, and persons below it for allowance), that for allowance, claimants were required to be available for employment. SB was paid at short-term and long-term rates.<sup>105</sup> The long-term rate was automatically available for pensioners and for recipients who had been on benefit (but not due to unemployment) for two years or longer. SB distinguished also between householders and non-householders when establishing the level. Householders were eligible for a higher benefit as they had housing requirements to meet. Furthermore, a variety of payments (under Single Payments and Urgent Needs programmes) were available. They were discretionary lump sum awards for different dimensions of need; for heating, special diets etc, resulting from the individual circumstances

104 Only since the introduction of Family Income Supplement (FIS) in 1970, could social assistance be a supplement for low earnings. FIS was introduced in 1971 to assist low-income, working families with children. It was payable where the head of the family was in full-time work. It tested for income, but left out any income received from child benefits and one parent benefits. Single parents under FIS could work 24 hours per week to qualify (for married couples a limit of 30hrs/week applied). In 1986, FIS was replaced with Family Credit (discussed below).

105 In November 1980, the short-term rate for couples was €50 and €31 for singles. Any other person (in the household) aged 18 or over was paid €10, 16–17 year olds €19, 11–15 €16, and 0–10 €11. The long-term rates were €62 for couples and €39 for singles. Any other persons aged 18 or over were paid €31 and 16–17 €24 (Allbeson 1980/1981: 2).

of the claimant or the family unit. SB could also top up NI benefits, in which case, the claimants had to satisfy the conditions under the programme in question.

Developments since 1980 are portrayed in Figure 3.8 below. SB was replaced in 1986 by Income Support (IS). Since the introduction of Jobseeker’s Allowances (JSA) in 1995, rights to IS were changed so that persons able to work can no longer claim social assistance, but must claim means-tested Income-based JSA if they do not satisfy the conditions for the unemployment insurance benefit (Contribution-based JSA).

The current situation is sketched in Figure 3.9 (see p. 110). Social assistance today remains a last resort benefit payable only for those who can not earn their livelihood by waged work or claiming other social security benefits. Substantial changes to its access and level have been implemented, as discussed next.

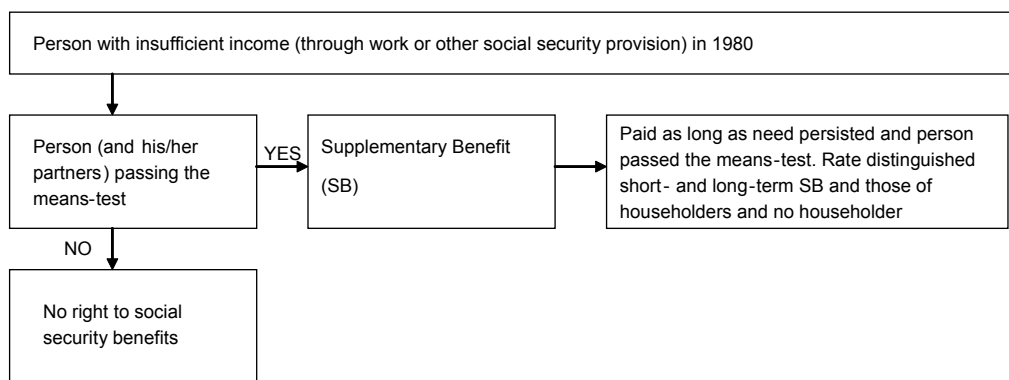


Figure 3.7. Route to British social assistance provision in 1980.

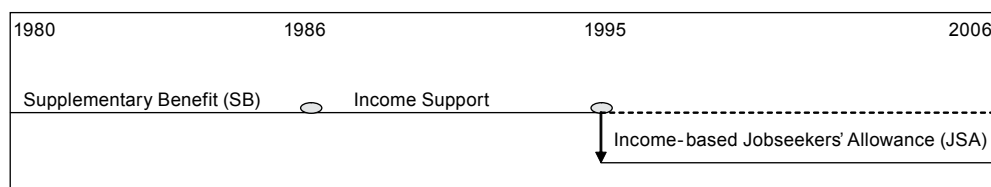
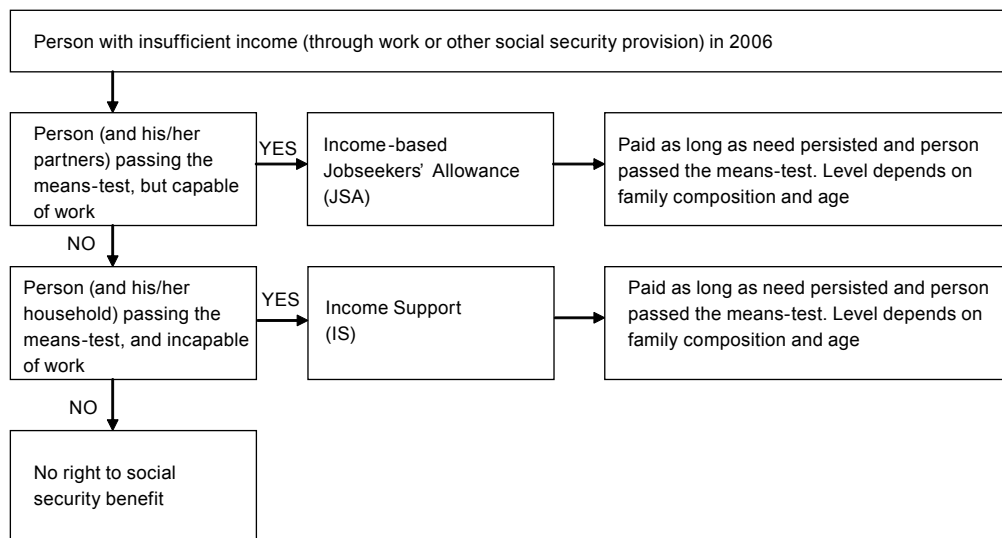


Figure 3.8. Chronological time-line of the changes in the British social assistance programme 1980–2006.





**Figure 3.9.** Route to British social assistance provision in 2006.

#### Changes in social assistance benefit rules in the UK 1980–2006

Three distinctive periods of social assistance reform can also be identified: multidimensional changes (both extending and narrowing rights) in 1980–1990, a clear shift towards targeting the social assistance provision towards persons incapable of work between 1990 and 1997, and from 1998 onwards tackling social exclusion and securing minimum income protection.

#### Improvements as well as reductions of rights, 1980–1990

Whereas in 1948 there were one million recipients of social assistance, at the end of 1979 Supplementary Benefit was paid to nearly three million people. (Ogus and Barendt 1982: 447) Thatcher's administration advocated a selective means-tested approach, and after a broad review of the programme (DHSS 1980), SB was reformed in the 1980s. In addition to the two major reforms of social assistance taking place in the 1980s (the means-tested approach mentioned above and the introduction of a new Income Support programme in 1986), a series of less sweeping measures were implemented. The decade was represented by conflicting changes: whereas some represented real improvements, others reduced rights (see also Atkinson and Micklewright 1989; Atkinson 1995).

Early 1980s: Rights to Supplementary Benefit restricted, but also widened

As the social assistance programme traditionally provides ‘the safety net’ and generates the statutory minimum income, alterations to the scope of claimants have remained rather limited since the introduction of the social assistance programme in 1966. However, the access of 16–18-year-olds to social assistance was seriously restricted in the early 1980s, when IS was unavailable for 16–18-year-olds who no longer were in full-time education (SSA 50/1986).<sup>106</sup> This was followed by the exclusion of students in 1990. These, and certain other changes, increased the dependence of the young on their families rather than on the welfare state, and fought against the alleged dependency culture.<sup>107</sup> In contrast to the restricted rights of the young, an amendment in the 1980s eased the access of older unemployed males to social assistance. First, unemployed men aged 60 or older were granted the SB at a long-term rate (SSA 30/1981 and SSHBA 36/1983). This was a fundamental change as before no unemployed person could claim social assistance at long-term rate. However, the consequences of this reform remained rather short-lived. The government wished to discourage all early retirement, as discussed in the UB section earlier, and the ruling was abolished by the introduction of IS in 1986.

Furthermore, requirements on social assistance receipt were tightened in the early 1980s (SSA 2/1980). Generally, SB was designed to provide assistance for those with no other income. A low amount of capital (€1,803 in 1979) was, however, accepted. This amount was raised several times during the 1980s (from €1,803 to eventually €11,543 in 1990) which made it possible for more people to access social assistance while also generating an incentive for recipients to work. However, the consequences of the reforms were not solely to the advantage of recipients. The introduction of an absolute capital cut-off in 1980 meant that claimants having capital over €2,885 lost their entitlement to SB completely, rather than receiving a reduced amount once their capital exceeded €1,803 as earlier. This made it harder to access SB. Otherwise no greater changes were made to SB levels, but small alterations both increased and reduced entitlements. The SB was subjected to taxation in 1980, which lowered the net benefits for all. Simultaneously, however, the reduction of age ranges for children (to three: 0–10, 11–15, 16–17) represented an improvement in benefit levels for younger children in the new range and targeted the increases more efficiently for those most in need (e.g. claimants with (small) children).

106 The abolition of the access of 16–18 year olds was linked to the guarantee of Youth Training (YT) places in 1988. However, as discussed under UB reforms, this meant more work/training conditions for them.

107 Furthermore, Child Benefit was no longer available for the school-leavers aged 16–18 and student loans (rather than grants) were introduced, which all were designed to put more responsibility on the family.

### The introduction of Income Support in 1986

A more significant revision of social assistance provision was implemented in 1986, when the new Income Support (IS) programme took over the statutory minimum income provision (SSA 50/1986). The reform aimed first and foremost at simplifying the provision as announced in Thatcher's White Paper (DHSS 1978). Although no profound alterations were made to the scope of persons, the difficult distinction between short-term and long-term rates (allowance/pension) as well as householders and non-householders were abolished. A separate Housing Benefit (Social Security and Housing Benefit Act 1982) was introduced to cover housing issues. Further, the system of Single Payments and Urgent Needs was replaced by a new Social Fund, operating independently of IS.<sup>108</sup> In transition from SB to IS access was limited, benefit levels were lowered, and claimants were expected to demonstrate more proactive behaviour, as discussed next.

#### Access simplified but restricted

IS restricted access to social assistance. Already SB had not been available for those in full-time employment (even if their earnings remained below the earnings-disregards), but one could work up to 30 hours a week and still be eligible. Indeed, doing some work was considered good for the recipients' prospects in the labour market. In transition to IS, the work threshold in order to qualify for the benefit was lowered to 24 hours a week. This made access to IS more difficult for working claimants.<sup>109</sup> In addition, claimants whose partners were working above 24 hours a week were excluded entirely rather than receiving reduced benefits as was the case earlier. IS claimants at first only had to be available for work, but from 1989 they were required to actively seek work, just as UB claimants discussed earlier (SSA 24/1989). These were the first steps to encourage people able to work, to do so.

Although IS was a stricter programme, the capital limit was limited again in 1986 enabling more people to access the programme. The capital limit was raised from €3,607 (in 1983) to €4,328, accompanied by the reintroduction of a tariff income for capital between €4,328 and €8,657. This meant that that an absolute cut off was used until a lower threshold of €4,328, which allowed more people to access the benefit. Furthermore, a tariff income for capital was re-introduced (since 1980) between the

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108 Finally, Family Credit (FC) replaced Family Income Supplement (FIS) to provide financial help for low-paid families. FC became the main UK in-work benefit from 1988 until October 1999 (replaced by WFTC in 1999). It was designed to provide support for low wage families with children, if they were working. A family with children needed to have one adult working 16 hours (or 24 hours as of 1992) per week to qualify for FC. The maximum amount (depending on the number of children), possibly supplemented by a small addition of claimant worked full-time, was paid if the families' net income (after tax and NI contributions) was lower than a threshold (€80.65 a week). Income exceeding this threshold was reduced by 70 cent for every €1. The FC was paid for 6 months at a flat-rate rate. (see e.g., Dilnot and McCrae 1999)

109 Furthermore, claimants could only study less than 21 hours a week in order to qualify for SB (for more information see SI 1982 in Appendix 1).

lower earnings limit €4,328 and the higher earnings limit €8,657, whereby benefit was cut by €1.3 per week for every €360 exceeding the threshold. This change gave access to more people and increased claimants' entitlement between €4,328 and €8,657. However, it was less generous than a €8,657 absolute cut-off. Certain groups, for instance single parents, disabled and long-term claimants were also provided with special earnings-disregards (in 1980 and 1986). These earnings-disregards did not only alleviate their access to the benefit, but they also encouraged them to work.

Level: For better, but mainly for worse

Rates were also significantly revised under IS. The introduction of IS abolished the former distinction between short-term and long-term benefits. This abolished higher payments being automatically granted to pensioners and long-term claimants. IS defined the rates for claimants (who had to fall within a pre-described category of persons) depending on their age and family composition.<sup>110</sup> Linking the level of entitlements to the claimants' age generated lower benefits for the young. People aged 18–24 received benefits that were now 20 per cent lower. An even lower rate was set for 16 or 17-year-olds, but at the same time they qualified for IS only in exceptional circumstances.<sup>111</sup> Furthermore, full-time students whose benefit entitlement had been eroded since the mid 1970s were finally excluded by the introduction of IS.<sup>112</sup> Since then, student support has been a matter for the educational budget, and not for the social security system. Although IS provided less generous benefits after the abolition of the long-term rates, certain categories (pensioners, disabled, (single) families with children) were given premiums to top up their entitlements.<sup>113</sup> Furthermore, a tougher programme for exceptional payments under the Social Fund was introduced to supplement the rates for those most in need. The former Single Payments programme had been available since 1980 to persons who met the prescribed conditions. Although, it was not easy to receive these additional payments, the introduction of Social Fund in 1986 abolished the claimants' legal right to any additional assistance and the decision to grant assistance was purely based on discretion of the Social Funds Officers, who were also subject now to budgetary limits. Many of the payments under the Fund took the form of loans, not grants as was previously the case.

110 IS claimants were required to fall within a pre-described category of persons. In most respect these prescribed groups mirrored the categories of claimants previously also claiming the SB: for instance, single parents, persons not accessing the unemployment insurance, people incapable of work, senior citizens.

111 In 1988, the basic age of IS was raised to 18, and claimants aged between 16 and 18 who had left school had either to satisfy specified conditions prescribed in the Regulations (SI 1987/1967) or to show that a severe hardship would result unless IS was paid.

112 Law abolished the students' rights to IS (as well to UB) during their study-time (incl. holidays) as well as after having left full-time education. A regulation (SI 1967/1987) enacted that few vulnerable groups still continued to be eligible during their period of study. These included lone parents, single foster parents, students qualifying for the disability or severe disability premiums, deaf or certain other disabled students and some refugees.

113 A need to higher entitlement for these groups was based on concerns that in 1982 those in the bottom 20 per cent of income were made up of 57.1% one and two parent families, 19.2% pensioners, 15.7% working aged single persons, and 8% couples without children (Brown 1990: 162).

### Towards stronger (work-related) conditions

In addition to modifying access conditions and lowering benefit entitlements in general, social assistance beneficiaries were strongly guided towards gainful employment from 1986 onwards. Measures such as a high full-time work threshold and earnings-disregards had stimulated claimants to seek some paid employment in the past, but since 1986 more stringent and above all more direct steps towards the activation of (unemployed) beneficiaries were taken. Following the introduction of this very first British activation programme for the unemployed, the Restart programme in 1986, claimants of IS were obliged to attend interviews every six months as a condition of their benefit receipt (SSA 50/1986). These obligations were fortified with sanctions. Furthermore, sanctions were tightened: the maximum disqualification period was extended to 26 weeks in 1986. At the same time, persons disqualified from NI UB (for instance due to voluntary unemployment) faced a 40 per cent reduction to their SB/IS benefit. Although some changes favoured the weaker groups in the society (such as single parents, families with children, and older claimants), IS introduced a more selective and strict programme, together with less generous and more discretionary provisions. Besides this, a considerable shift took place from passive receipt towards activation.

### 1990–1997: Removal of jobseekers from social assistance

As discussed earlier, recession and rising unemployment in the early 1990s led to further pressures to alter social assistance programmes. IS rules were made more stringent in the early 1990s, but significantly, the introduction of the Jobseeker's Allowance in 1995 fundamentally changed the social provision for the unemployed in the UK (JA 18/1995). Consequently, IS became again the residual safety net for those not required to fulfil labour market conditions.

### First steps separating unemployed and those not able to work

Prior to the fundamental reform, access to IS was already linked to a lower degree of participation on the labour market. For instance, the work threshold for IS claimants was lowered to 16 hours per week from 1992, meaning that persons working more than 16 hours a week were excluded (SSCBA 4/1992). In practise however, the rules excluded only low income childless couples (working previously 17–24 hours a week), since the eligibility of the claimants with children was at the same time extended under Family Credit to include parents working between 16 and 24 hours a week. Access to the statutory minimum provision was also tightened in the same year (1992) when the Habitual Residence Test was introduced SI 1992. The test aimed at fighting against alleged benefit tourism and required claimants of IS to be 'habitually resident', rather than just present in the UK, that is, to have a sufficient amount of physical presence

in the place on which the residence is grounded, as required earlier.<sup>114</sup> However, the impact of this was mainly felt by UK citizens from ethnic minorities who spent prolonged periods abroad, and UK citizens returning from living and working abroad for several years (for more see e.g. Wikeley; Ogus and Barendt 2002: 281).

#### Introduction of (Income-based) Jobseeker's Allowance

The inauguration of the JSA fundamentally altered the rules for social assistance. The Income-based JSA replaced IS for the unemployed in 1995. IS claimants thereafter had no longer to be available for work nor to seek actively work, rather they must fall under a pre-described category, including single parents, pregnant women, persons taking parental leave, those engaged full-time in caring for a seriously disabled person, persons incapacitated for work, persons undertaking training. This was a considerable change in the scope of IS, and claimants able to work were transferred to JSA where they had to satisfy much harder conditions and obligations as discussed in section 3.2.1.<sup>115</sup>

#### 1997 onwards: Against social exclusion

Since 1997, the new Labour government has primarily committed to fight against social exclusion. As part of their Welfare to work programme benefit generosity was raised for families with children and pensioners, but at the same time programmes such as ND sought to provide opportunities for those outside the labour market to improve their prospects of finding work. Supported by a wide range of in-work benefits generally in the form of tax credits, minimum income protection aims at combating poverty and social exclusion (DSS 1998c; a; b; d; e).

#### Higher entitlements for the vulnerable groups

Although the recent years have not witnessed any larger changes in the basic IS rates (except the statutory indexation), certain groups of pensioners and families with children have faced particularly favourable amendments. A paper by the Department of Social Security (1998b) illustrated that social provision for the pensioners was inadequately organised, and a new minimum income programme, the Minimum Income Guarantee (MIG), was implemented for the poorest persons aged 60 or older in 1999 replacing the three premiums available for them since 1986 (for details, see e.g., DSS

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114 A group of immigrants have alternative rules although they perhaps satisfy the Habitual Residence Test. After the group was removed from the IS in 1986, the benefit right was returned to certain groups of immigrants (individuals subjected to immigration control) in 1999.

115 In November 1995 5.5 million people were claiming IS, and after the introduction of JSA, the number decreased to 3.9 million in November 1997 (National Statistics website).

1998b) (WRPA 30/1999). At the outset the MIG appeared to be merely a renaming of IS for pensioners (people older than 60), although the levels were increased above the rate of inflation. In 2001, the cash distinction between three premiums was swept away, creating one higher rate of the MIG. Furthermore, the indexation of the MIG generously linked to earnings, leaving the other dependents on IS indexed to prices. In 2001, the earnings-limits for pensioners were also raised considerably (up to the upper limit of €17,315 per year), allowing pensioners (also those less 'needy' elderly) to access the provision more easily than other claimants (SI 2524/2000). As of October 2003, the MIG was replaced with Pension Credit (SPA 16/2002). Like MIG, the PC provides a guaranteed level of income, but unlike MIG, it rewards persons who have put aside modest amounts for retirement.

Provision was also improved for (poor) families with children. In 1996, the Single Parent Premiums under IS were abolished and replaced by a new higher rate of the Family Premium. Furthermore, the value of personal allowances for children under IS was increased by €3.60 per week for the first child, which was the largest single increase in child benefit since its introduction in 1971 (Wikeley; Ogun and Barendt 2002: 659). In 1999, a Working Families Tax Credit (WFTC) replaced the Family Credit (from 1986), and provided more generous in-work benefits for low-paid working families with children (see e.g., Lee 2000) (TCA 10/1999). WFTC, for instance, generated higher payments, raised the earnings-disregards, and provided a more generous childcare credit (for more details, see e.g., Dilnot and McCrae 1999). In 2002, Child Tax Credit (CTC) brought together three different parts of the tax and benefit systems that formerly provided support for families with children (the premiums for children that were included in the principal means-tested benefits for those who were out of work, i.e. IS and JSA, tax credits that were provided in-work benefits for families in low-paid employment (first under Family Credit and from 1999 the WFTC), and the tax credits that lowered the income tax payments of families with children) by combining them all into a single payment (TCA 21/2002). To be eligible to the CTC, the claimants (or their cohabiting partners) must be employed (either self-employed or employed) and paying income tax. The CTC was almost twice as generous as the previous tax credits, providing up to €14.70 a week (CPAG 2001). The CTC replaced WFTC for poor working families and DPTC for poor working disabled people, and assisted people, with or without children, who are in low-paid employment, providing that they are 25 or older.

#### Encouragement to work

Although IS recipients are no longer expected to seek work, they have been increasingly encouraged to work, either by increasing conditionality or by the provision of in-work benefits (in a form of tax credits as discussed above). From 2001, IS claimants have been obliged to attend a WFI (as discussed earlier in the section on IB) where their possibilities of reintegration to the workforce are explored. Failing to attend this interview will reduce their benefit. From 2003, claimants' partners are also required

to attend a WFI. Other measures have been taken in order to make work pay. The introduction of the national Minimum Wage in April 1998 was a clear example of this, since it provided extra incentives to enter low paid employment. Furthermore, the Permitted Work regulation in 2002, as discussed earlier in the IB section, meant that medical approval was no longer a prerequisite to allow persons claiming IS to try out working without affecting their entitlements.

#### Conclusion of the British social assistance benefit reforms

The last 26 years have witnessed many changes to social assistance as summed up in Table 3.3 (see p. 118). The social assistance programme has been made more stringent and reforms have made it more selective favouring those at risk of marginalisation: particularly families with children and older persons who have secured more favourable benefit rights. Although IS claimants are no longer obliged to seek work, they are increasingly guided to participate in activities that might bring them back in the labour market. These tendencies became very visible in the 1990s and 2000s. The changes in the 1980s appear less homogeneous. The reforms included both measures extending and narrowing the rights.

Despite the removal of school-leavers and students, the scope of persons eligible for benefits remained remarkably similar until 1995. The introduction of the JSA abolished the right of jobseekers to IS, and provided that only people unable to work remained eligible for IS, namely single parents, recipients of certain disability allowances, and the elderly, who no longer had to seek work to qualify the benefit. However, the cut in the duration of Contribution-based JSA by half meant that persons moved more quickly to means-tested benefits, as discussed earlier in the section on UB reforms. Nevertheless, restrictions under SB/IS were tightened considerably throughout the decades. Even though claimants are allowed to earn more, they and their partners face restrictive working hours. Work seems to be considered as a route to a greater self-reliance, but at the same time claimants who are able to work are guided in to (more restrictive) JSA, or preferably, to work. IS claimants (and their partners) are expected to participate actively, as they are required to attend WFI, although they do not have to be available for and seeking work.

Generally benefit rates have declined. Although no large cuts have been implemented, small amendments such as subjecting the IS to taxation, introducing tariff income for the means-test, and introducing the discretionary Social Fund offering loans have each reduced paid entitlements. Particular cuts have been implemented to the income of the young. In contrast, certain vulnerable groups such as pensioners, families with children, and the disabled have been granted special premiums to raise their entitlements, some of which have later been replaced by even more favourable tax credits. The premiums and tax credits have safeguarded their entitlements, but many of these measures, including tax credits, benefit only those who are working. For those who are out of work, IS provision remains far from generous.



**Table 3.3.** *Changes in benefit rights under social assistance benefit in The UK 1980–2006.*

	The 1980s	1990–1997	1997 onwards
<b>ELIGIBILITY</b>			
Scope of persons	– Access of school-leavers restricted	– School-leavers removed from IS – People able to work transferred to JSA	
Requirements	– Capital limits raised, but made absolute – Special earnings-disregards for vulnerable groups – Work threshold lowered to 24 (also partners work time measured) – Must seek work	– Habitual Residence Test – Allowed work limit lowered to 16 hrs (family credit: extended to 24 hours for families with children)	– WFI – Partners must attend WFI – Higher earnings-disregards for pensioners
<b>ENTITLEMENTS</b>			
Level	– Long-term rate for older men/abolished 1986 – IS taxable – The re-introduction of tariff income – Level depending on family composition, age – Reduction of children age ranges – Lower benefits under IS (no long-term/short term rates) – Rate for young lowered (–20%) – Premiums for disabled, pensioners, families with children – Special payments under social fund (loans no grants)	– Higher rate of Family Premium introduced – Value of personal allowances for children under IS raised	– MIG higher benefits for 60+ /replaced by Pension Credit 60+ (higher levels) – Tax credits for poor working families (higher level)
Duration			
<b>ADDITIONAL CONDITIONS</b>			
Incentives	– Higher earnings-disregards stimulate working		– Minimum Wage introduced – Permitted Work regulation – Tax credits
Obligations	– Restart interviews every 6 months – YT for young		– WFI
Sanctions	– Restart and YT sanctions – Disqualification NI programmes caused sanctions under IS – Maximum sanction period to 26		

### 3.3 Reforming social security policy in the UK: conclusions and prospects

In this section, we summarise the main findings in this chapter. Generally speaking, the last 26 years have meant more stringent conditions and much lower benefits (that is, no longer earnings-related benefits) for people claiming the social security benefits analysed in this study. We see, however, that changes differ over time. During the 1980s, the reforms generally aimed at lowering the amounts payable (by cutting benefit payments and tightening the qualifying requirements) and decreasing social expenditure. In addition, revision of the social protection programmes began: privatisation of the sickness benefit was started and a new social Assistance programme and a non-contributory SDA disability benefit were introduced in 1986. From the 1990s onwards, reforms meant stricter conditions towards claimants' past work history and new responsibilities for claimants have been implemented to bring them (back) to employment as far as possible. Related to these, more stringent unemployment benefit (JSA) and sickness and disability benefit (IB) programmes were introduced.

Importantly, we observed different patterns of change related to eligibility, entitlement and additional conditions in the UK. Our study indicates that for persons claiming social security provision, a tighter linkage between benefit rights and work has been established. For insurance benefits (contribution-based JSA, IB) the link is direct: in 2006, a longer (work and) contribution record is needed and people without close ties to the labour market were excluded from the programmes. To become eligible, all programmes require their claimants to take necessary actions to (re)enter the labour market (for instance by attending WFI), provided that they are capable. Recipients of unemployment benefits in particular have faced an ever increasing number of conditions (prior and while being on benefit) and they, more than any other group of benefit claimants, are required to take steps to (re)enter the labour market. Within the group of unemployed, the young and long-term unemployed in particular have met an increase of such conditions. Programmes such as the ND have shifted the nature of claiming benefits from passive benefit dependency towards an activation system, where support to help people back into work is combined with claimants' personal responsibility to help themselves. In addition to more restrictive conditions of access (more stringent work record requirements and the abolition of non-contributory benefits) and encouragement to work if possible, sickness and disability benefit claimants faced much stricter medical assessment in the UK. Access to disability benefit necessitates a full disability for any kind of work in 2006, which is considerably more stringent than the conditions under the medical tests in the early 1980s. In contrast to unemployment and disability programmes, means-tested social assistance embeds few requirements related to work (at least with regards to eligibility conditions). Rather the eligibility of such assistance programme depends on the disposable income of the claimants. There are no work history requirements that apply to social assistance beneficiaries, but our analysis over time shows that these claimants too met more requirements to enter the labour market (for instance through work focused interviews, higher earnings-disregards etc.).

The results of the national analysis also show that the benefits are less generous in 2006 than they were two and half decades ago: in addition to actual cuts to benefit rates, reforms such as suspension of indexation, cuts in duration, introduction of waiting days, and so forth have cumulatively led to lower benefit entitlements. In particular, the levels of insurance benefits have been lowered and they currently generate merely minimum income protection (for a much shorter period). In comparison to unemployment benefits, sickness and disability benefits are still slightly more generous as they can be supplemented with additions (related to age and dependants). The recent tax credits have made it possible for claimants to receive higher benefits. Tax credits, besides lifting people above poverty levels, aim at making it worthwhile for people to work. Not all claimants can profit from these tax credits (for instance unemployment insurance beneficiaries, people unable to work, or people not finding a job), and therefore they are only beneficial for a selected group (people able, willing, and lucky enough to find work). Small improvements to the entitlements of certain vulnerable groups (older people and families with children) have also been implemented, but the overall tendency of the last 26 years has been for less generous benefits. Cuts in benefit entitlements indeed reduced the benefits paid, and at the same time, made it also less attractive to stay on benefit in the UK

We also observe a strong increase in the number of reforms implementing additional conditions (to work) for benefit recipients. They made the receipt of benefits more conditional upon persons' engaging in activities which improve their prospects of finding work while sometimes providing incentives to work. Most significantly this applies to jobseekers, who must be available, actively seek, and accept work and/or training that improves their chances on the labour market. Such conditions also increasingly affect other claimants of social security. For example, expecting employers to administer and deliver initial sick pay increases the conditions set for employees to return to work. Compared to unemployment benefit recipients, the claimants of disability benefits are perhaps less obliged to return to the labour market. This is largely due to the fact that the disabled must be fully disabled (for all work) in order to receive these benefits. However, the Labour government announced in 2005 plans to fundamentally reform the sickness and disability benefit programme (DWP 2006). The two new benefits 'Disability and Sickness Allowance' and 'Rehabilitation Support Allowance' would differentiate between those who have a severe condition and are unlikely to return to work and those with potentially more manageable conditions. The allowances would be paid in return for undertaking work-related interviews, agreeing an action plan, and, as resources allow, participating in some form of work-related activity.<sup>116</sup> This reform would institutionalise the concept of activation within the disability programme. Indeed, work is considered as the best route out of poverty in the UK, and therefore, claimants of social assistance programmes have been increasingly encouraged (both with carrots and sticks) to make use of their potential. Although social assistance

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116 For those with the most severe health conditions or disabilities, benefits would be paid without conditionality and they would receive higher benefits than they do now. The reform is hoped to lower the number of unemployed disabled by a million, end alleged work shyness, and introduce compulsory job search and retraining courses for the disabled.

recipients are no longer obliged to seek work, higher earnings-disregards, the introduction of minimum wage, and the implementation of new tax credits, have all provided financial incentives (together with unattractive benefit entitlements) for the poor to work and make work pay. However, new conditions under programmes such as ND and WFI (which apply currently to all claimants of working age) also provided the benefit administrators with more instruments to facilitate or encourage a transition from benefits to (paid) work. Sanctions have been tightened together with obligations and a failure to co-operate in a suggested activation programme or measure leads to a reduction or withdrawal of benefit.

But what happened to benefit rights in the UK? In sum, investigation of the implemented reforms shows that social insurance programmes have been *made harder to access* (a more stringent work record required, abolition of non-contributory programmes). Such patterns of change suggest that the element of reciprocity under National Insurance has been tightened. For all insurance programmes, access necessitates closer ties to the labour market (tighter contribution record), but whereas jobseekers must additionally satisfy more conditions on job searching, the disabled must primarily satisfy harsher disability assessments. A clear pattern of change is also the *reduction of benefit generosity*. We see that the insurance programmes in the UK today clearly provide payments that resemble a minimum social protection rather than benefits compensating for lost income. Although benefits for the disabled are paid at slightly higher levels than those for jobseekers, all insurance benefits today are as far from being earnings-related as they were in the early 1980s. Levels of social assistance have also been cut (particularly for the young) and made more discretionary. Our analysis confirms that the differences between social assistance and social insurance programmes have become more blurred between 1980 and 2006 in the UK (see also Clasen 2001a; Erskine 1997). We must, however, keep in mind though that it was only in the mid 1960s that the element of earnings-relatedness was embedded in the British NI programmes. The alterations in the early 1980s have been consequential for benefit claimants, but they have in our eyes merely turned the clock back in time, to the time after the Beveridge' blueprint of flat-rate (minimum) insurance benefits. Therefore such developments have generated only a return to a national minimum, and are thus less path-breaking than often announced. One must, however, acknowledge that the current system of social protection deviates from the one sketched out in Beveridge's original plan in that Beveridge himself was very much insurance inspired and his leading goal was to suppress means-testing. However, the intention to provide merely minimum benefits is something we can distinguish in both institutional settings, the one of Beveridge and the current one. A *creeping means-testing* on the one hand, and a switching *emphasis from passive benefit payment towards promoting active participation* on the other hand are indeed more recent partners of change standing out in our detailed analysis of British programmes. Although we found no substantial increase in means-tested provision and no new means-tested benefit (e.g. replacing contributory provision with means-tested programmes), there have evidently been creeping legislative changes (introduction of means-test of personal pension income and reduction of the duration of insurance benefit for instance). Also other changes

(such as developments around in-work benefits) have cumulatively led to the means-test becoming more important in granting rights to British social security benefits. This applies similarly to the unemployment as well as disability benefits. Finally, the reforms observed here also illustrate increased conditionality for benefit recipients to take up work. Some form of activation (for instance, through incentives like the Linked Spell rule) already prevailed in the British social security system prior to the 1980s, but the measures introduced since encouraging or obliging claimants to work have crystallised the government's preference of welfare through work above welfare dependency and have facilitated a shift from passive welfare rights to conditional entitlements (argued also by Dwyer 2004). The work compulsion is clearest for jobseekers, but disabled and people on social assistance also faced more requirements related to activation and benefit receipt.

## 4 RESTRUCTURING SOCIAL SECURITY IN THE NETHERLANDS

Since the 1980s, social security programmes have been under reconstruction in the Netherlands. Although, the insurance principle is claimed to have been preserved as the guiding paradigm of the redistribution of welfare (Clasen, Kvist and van Oorschot 2001; Clasen and van Oorschot 2002b), commentators note shifts from inclusive solidarity towards the direction of exclusive selectivity, and from collective responsibility towards the direction of individual responsibility (van Oorschot 1998a). Comparative research involving the Netherlands commonly reports stricter conditions related to benefit receipts, increased activation (Hvinden, Heikkilä and Kankare 2001; Clegg and Clasen 2003) and to some extent, retrenchment (Becker 1999; Green-Pedersen 2002b). Based on our analysis, we find evidence for most of these statements. A detailed analysis also indicated that regardless of existing reasonably generous benefit programmes, Dutch social provision is much less comprehensive now than 26 years ago. This chapter deals again with the question set in research question set 1 and views in detail *what has happened to the unemployment, sickness and disability, and social assistance benefit programmes in the Netherlands*. We aim at capturing the patterns of the reforms implemented regarding eligibility and entitlement rules within the country without ignoring the possible differences across the programmes. The structure of the chapter is as follows. First, we address the historical developments of Dutch social security policies, followed by a description of the changes implemented between 1980 and 2006. Finally, we conclude on how the changes in the Dutch programmes have affected benefit rights.

### 4.1 The historical developments of the Dutch reforms

#### 4.1.1 *The blueprint of national insurances: The Van Rhijn Report (1945)*

Like in most European countries, the social security system in the Netherlands was rapidly expanded after the Second World War.<sup>117</sup> Inspired by the famous British Beveridge Report (1942) the Dutch government (while in exile in London during the WW II) formed a committee in 1943 to make a plan for social insurance after the war. The report of the Van Rhijn committee (Sociale Zekerheid 1945) was considered as a blueprint for the Dutch social security system (see more e.g., Pennings 1990). The Van Rhijn report recommended both the expansion of the current workers' insurances as well as the introduction of new universal national insurance programmes. First, the existing workers' insurance programmes (for instance the Industrial Injury Benefit Act 1901 and the Sickness Benefit Act 1913) were complemented with a new unemployment insurance (WW in 1952) and a new disability insurance programme (WAO in 1967) for waged workers. In contrast to Beveridge's programmes (provid-

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117 See also e.g. Westerveld (1994), Noordam (1998), Roebroek and Hertog (1998), van der Veen (1995; 1999), Goudsward, de Kam and Sterks (2000), work on the Dutch social security systems from historical work (in Dutch). For work in English: see e.g. Pennings (1990), Visser and Hemerijck (1997), van der Veen and Trommel (1999), and van Oorschot (1998a).

ing flat-rate minimum benefits as discussed earlier in Chapter 3), these programmes provided generous benefits (80 per cent of the previous wage) to compensate for the loss of income due to illness or unemployment. Importantly, the Van Rhijn report also suggested complementing workers insurance programmes with a number of national (people's) insurances providing benefits at a uniform subsistence level for all residents. In the late 1950s, universal benefits for persons over 65 (AOW 1957) and for widows (AWW 1959) were implemented. Later in the mid 1970s, a disability insurance benefit programme (AAW 1975) was enacted to cover all disabled residents (including self-employed and persons outside of the labour market). Furthermore, in the mid 1960s, the Public Assistance Act (ABW 1965) replaced the former poor Law (from 1854) and improved the general safety net (for those with insufficient means). These changes led to a comprehensive and generous continental welfare state, which according to some commentators belonged to the universal social democratic regimes (see disagreements over the Dutch regime type in Chapter 2). However, the significant expansion of social security protection in the 1950s and 1960s caused problems in the 1970s, when the first effects of the oil crises (1973) and stagnating economic growth became visible.

#### *4.1.2 Price policy in the 1980s*

The economic optimism of the 1960s descended into pessimism in the 1970s. The second oil crisis, of 1979, hit the Netherlands even harder than the first one, and left the country's economy and public finances in deep crisis by the early 1980s. At the same time, the number of people depending on income transfers from all programmes doubled between 1970 and 1985 from 1.6 million to 3.2 million (Visser and Hemerijck 1997: 128). This evidently led to political pressures to keep social expenditure under control. In the 1980s, the rising number of welfare beneficiaries and the economic downturn led to a reaction known as the price policy (van Oorschot 2002a). The main aspiration of the price policy was to keep the system sustainable and improve the competitiveness of the Dutch economy (TK 1977/78). With the 1982 Wassenaar Agreement, the headstone for the Dutch polder model of consensus decision-making, the social partners (trade unions and national employers' organisations) and the government decided on a comprehensive plan to revitalize the economy involving shorter working times and lower pay increases on the one hand, and more employment on the other. It was hoped this would cure the 'Dutch disease' (Aarts, Burkhauser and de Jong 1996), i.e. the high unemployment and moderate economic performance in the seventies and the first part of eighties. The implications of this for social policy were that all welfare 'nonsense' had to stop, as the Prime Minister Lubbers (of the Christian-Liberal coalition 1982–1986) put it (see more, e.g., Becker 2000). Social security benefit levels were cut, and to support wage moderation, the second centre-right government (Christian-Liberals 1986–1989) announced a structural 'system reorganisation' of social security (TK 1982/1983). This system re-organisation in particular revised the unemployment and disability benefit programmes (See also e.g., Pennings 1990; Visser and Hemerijck 1997; van Oorschot 1998b; van der Veen 1999).

### 4.1.3 Volume policy in the 1990s

Regardless of the changes implemented in the 1980s, the number of unemployed skyrocketed from 65,000 in 1980 to more than 410,000 claimants in 1994, and the number of people receiving disability benefit approached almost one million in the early 1990s (UWV 2005: 14, Table 2.1). To meet with these problems, political measures in the 1990s culminated in the 'volume policy' (van Oorschot 2002), which first and foremost declared the need to reduce the number of people on benefits. In the summer of 1991, Lubbers' third cabinet (1989–1994, Christian Democrats with Social Democrats) introduced a major welfare reform package intending to reduce the level of protection, lower the entitlement to sickness and disability benefits, and close off other labour market exit routes (SZW 1989/1990; 1992/1993). Notwithstanding major political and societal discontent, the cabinet's reform with respect to the sickness and disability programmes (known as the T-Laws as elaborated below) entered into force in the first half of 1990s. Although there was widespread agreement that the changes were necessary, their implementation turned out to be politically risky, as the Lubbers' administration was punished with a defeat in the 1994 elections.<sup>118</sup>

Led by (pro-welfare state) Social Democrats, the 'purple' coalition led by Prime Minister Kok carried on restructuring Dutch social security.<sup>119</sup> The reforms of the two Kok cabinets (1994–1998 and 1998–2002) revolved around the privatisation of the sickness benefit programme and supporting employment.<sup>120</sup> Responsibility for sickness provision was gradually shifted during the 1990s from the state to employers. Furthermore, high levels of labour market participation became the core of the social and economic policy of the Kok government. The 'jobs, jobs, and more jobs' slogan was implemented through support for wages and wage cost moderation. Furthermore, the cabinet reduced social contributions for employers and implemented tax incentives for the employed, in particular those at or near the minimum wage. (SZW 1998) Supported by the more favourable international economic situation at the end of the 1990s and policy measures in the past, the Dutch witnessed strong economic growth and job creation known today as the 'Dutch miracle' (Visser and Hemerijck 1997). The Netherlands succeeded in halving the unemployment rate during the last decades, from almost 14 per cent in 1983 to just over six per cent in 1997 (Visser and Hemerijck 1997: 9); the only EU country to achieve such success. The Dutch miracle was based largely on the remarkable improvement in labour market performance and job growth over these decades. A steep rise in (female) part-time employment and an increase in

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118 The law proposed in the early 1990s faced strong criticism. On 17 September 1991, nearly a million people demonstrated against the reform in what was probably the largest protest demonstration in Dutch history (Hemerijck; Manow and van Kersbergen 2000).

119 The purple coalition combined the red of the Social Democrats (PvdA), the blue of the Liberals (VVD), and the green of the Democrats (D66).

120 Furthermore, a fundamental redesign in the institutional structure of the administration of social security (SZW 1993/1994; 1994/1995) took place during the 1990s. With the introduction of independent supervision and the creation of market incentives in the administration of social security, the government aimed at establishing institutional preconditions for more effective social policy implementation.



employment in the service sector were claimed to be the main factors underlying this success (cf. Visser and Hemerijck 1997; Becker 2000; Visser 2002).<sup>121</sup>

#### 4.1.4 Activation policy in the 2000s

By 2000, the Netherlands was again drifting towards a serious economic recession. Haunted by rising number of benefit recipients, three coalition cabinets consisting of the Christian Democrats and Liberal parties (2002–2006) led by Prime Minister Balkenende introduced further cutbacks to social spending (SCP 2004). On 15 October 2003, a 'social agreement' was reached between the government and the social partners. This agreement resembled to some extent the Wassenaar Agreement of 1982, where the trade unions supported a temporary pay freeze (2004–2005) in collective agreements in exchange for the government dropping or at least scrapping down a number of cost-cutting plans.<sup>122</sup> The desire for a revival of the Dutch polder model of consultation and consensus, once the fuel for the Dutch miracle, was, however, less pronounced. The social partners experienced considerable difficulties in reaching collective agreements in 2004, leading to industrial actions throughout the country.<sup>123</sup> After difficult negotiations, the Balkenende administration proceeded with preparations to restructure social provision programmes (to keep them sustainable in the long run). These reforms included measures to alter existing programmes, such as social assistance (in 2005), disability (in 2006) and unemployment benefit systems (in 2006). In addition to this, reforms closed off labour market exit routes and a new health insurance system and life course plan (which makes tax bonuses available for people who save towards taking leave) were introduced.

## 4.2 Benefit reform in the Netherlands: 1980–2006

The next three sections view reforms to unemployment benefits, sickness and disability benefits, and social assistance between 1980 and 2006. The full list of the Dutch Acts referred in the text is described in Appendix 2.

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121 Significantly, the male labour force increased by only 20 per cent between 1970 and 1999, while the female labour force expanded by 139 per cent (van Oorschot 2001: 2).

122 For instance, the abolition of tax benefit in relation to early retirement and pre-pension schemes announced for 2005 were postponed for a year; a plan to deduct severance pay from WW has been scrapped; the benefit based on WAO for partially disabled employees were not linked to the income of the recipient's partner.

123 A high degree of social unrest stemmed from two issues in particular: early retirement and the level of continued wage payment during the first two-year period of illness. From one sector of the economy to the next, workers took action in the forms of strikes or demonstrations to highlight their position in relation to the negotiations. Furthermore, some 400,000 people demonstrated in Amsterdam on the issue of early retirement in November 2004.

#### 4.2.1 Reforming Dutch unemployment benefit programmes

Description of the unemployment benefit system in 1980 and 2006

In 1980, there were three social security benefits available for the unemployed. Firstly following the introduction of the Unemployment Benefit Act (*Werkloosheidswet*, Stb. 1952, WW from now on), compulsory insurance benefits were provided to persons in employment and those treated as such.<sup>124</sup> There were no earnings limits defined for WW, so that in principle every employee with a sufficient work history (discussed below) was insured under the Act.<sup>125</sup> However, employees had to be resident in the Netherlands and under the age of 65 to be eligible for WW.<sup>126</sup> Second, since the Unemployment Provision Act (*Wet Werkloosheidsvoorziening*, Stb. 1964, 485, WWV from now on), tax financed benefits were provided for those not meeting insurance requirements under the WW (for instance the young and self-employed) or those having received the WW benefit for the maximum period. Third, under the General Social Assistance Act (*Algemene Bijstandswet*, Stb. 1963, 284, ABW) means-tested assistance (called as RWW) was available for the unemployed who had no working record or whose right to the other unemployment benefit programmes (WW or WWV) had expired. However, as the present section is limited to benefits exclusively for the unemployed (and under ABW one did not need to be unemployed per se), RWW is not included here, but discussed later under the social assistance programmes in section 4.2.3. Figure 4.1 (see p. 128) describes the route to unemployment benefit programmes in 1980.

Access to both WW and WWV benefits presumed that claimants had a past work history of 30 days during the last six weeks, or at least that they had worked 65 days in the last 12 months prior to the beginning of the unemployment. The programmes did not differentiate between full-time and part-time workers but required that they were involuntarily unemployed, registered at an Employment Office, and willing to accept work or training offered. WW was paid at the rate of 80 per cent of previous daily wage for a maximum of 130 days, after which (provided that they could not

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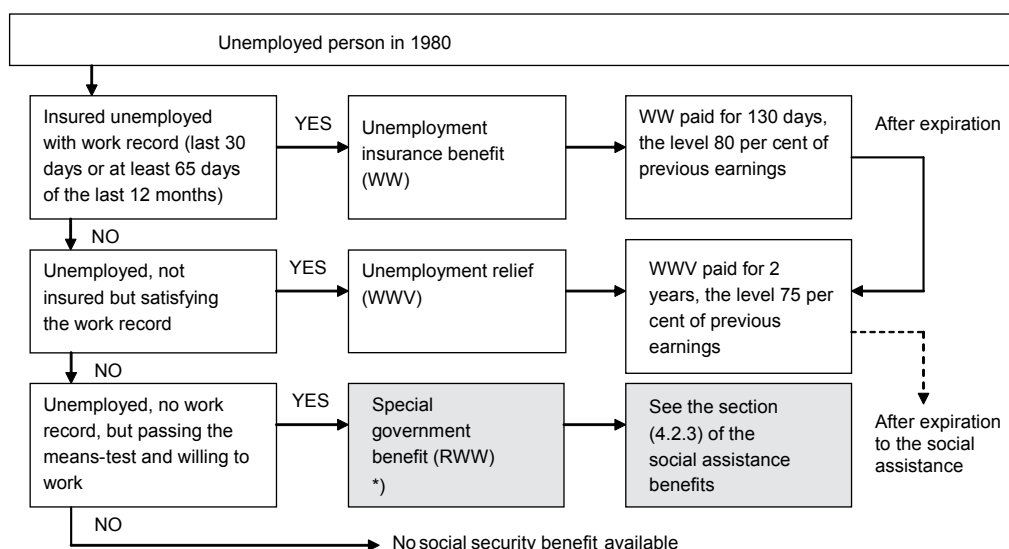
124 Under WW an employee is defined as person who has concluded a contract of employment with an employer as referred to the law and some categories assimilated with this (Article 7:610 of the Civil Code) (see e.g., Pennings 2003: 159).

125 However, the WW excluded in 1980 self-employed, domestic staff (employed by an individual for less than three days a week), and WSW employees. The Sheltered Employment Act, the WSW (*Wet Sociale Werkvoorziening* Stb 1969, 687) had provided since 1969 working places for those disabled persons who could carry out certain types of activities and were thus capable of work, but for whom, due to personal circumstances, employment under normal conditions and at an average pace was not possible. The WSW employees were included in 1981 in the WW. Furthermore, in 1980, the Act did not cover certain groups such as civil servants and soldiers from the WW, as they were subjected to certain special (more generous) arrangements at the time. They were, however, included later in the WW (civil servants in 1998, soldiers in 1986).

126 Following the introduction of social protection schemes in the Netherlands, benefits (e.g. the WW, the WAO and ZW benefits) were directed to people residing in the country, and people residing outside the Netherlands generally had no right of social security benefits. On a few occasion in the 1980s, these rules were amended, for instance, in 1980 and 1984, when Law specified prescribed situations when claimants residing abroad might have a right to a benefit (Acts 1980, 1984). An example for such groups was diplomats, who could under certain circumstances receive benefits even though living abroad. The main principle, however, was that benefit receipt is linked to residence.

re-claim the WW) the claimants could claim the WWV benefit instead.<sup>127</sup> WWV was paid at a slightly lower rate (75 per cent of the previous daily wage).<sup>128</sup> WWV was generally paid for two years, but recipients aged 60 or older could eventually stay on benefit until their 65th birthday.<sup>129</sup> Even though WWV aimed at protecting the vulnerable in society, it was unequal in terms of gender equality: it disqualified married women who were not breadwinners. No unemployment benefit was payable if claimants turned down an offer of employment or training or did not co-operate with the employment office.

From 1986, as indicated in Figure 4.2 (p. 129), WW and WWV were replaced by one single insurance programme. The new WW benefit consisted of three components: a basic WW benefit for those passing a milder work requirement for the first six months, followed by a prolongation of WW follow-up WW benefit paid according to the age of the person. In 1994, the structure for those passing another stricter condition relating to their work history and finally a follow-up WW benefit



Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For RWW, see section 4.2.3.

Figure 4.1. Route to Dutch unemployment benefit programmes in 1980.

127 To re-claim WW, recipients must have worked again at least 6 weeks between the two spells of unemployment.

128 Unlike the WW, the WWV recognised certain benefit ceilings. Benefits were granted at three rates (amounts converted to euros: €1 = NLG 2.204): for breadwinners, there was a maximum daily wage (€107 in 1980) and a minimum daily wage (€55 in 1980) and a separate rate was set for unmarried persons between 23–35 years (€41 in 1980) (De kleine gids voor de Nederlandse sociale zekerheid 1980: 29).

129 If unemployment continued after the two years, the right to WWV could be re-established after claimants satisfied (at least one third of) the eligibility conditions again. Otherwise, the persons could claim social assistance.

paid according to the age of the person. In 1994, the structure of WW was revised again. As of March 1st 1995, a new minimum benefit, a short-term WW benefit, was introduced for persons with a short work history. The wage-related WW as well as follow-up WW were revised, but still maintained. In 2003, the follow-up WW was abolished, followed by the abolition of short-term WW in 2006. By 2006, WW provided merely earnings-related benefit for people passing the work history requirement as described in Figure 4.3.

In 2006, WW provides earnings-related benefits for all who qualify, but with stricter conditions than before: the work history requirement is stricter, more conditions have been attached to eligibility, and the benefit duration was reduced as discussed in more detail below.

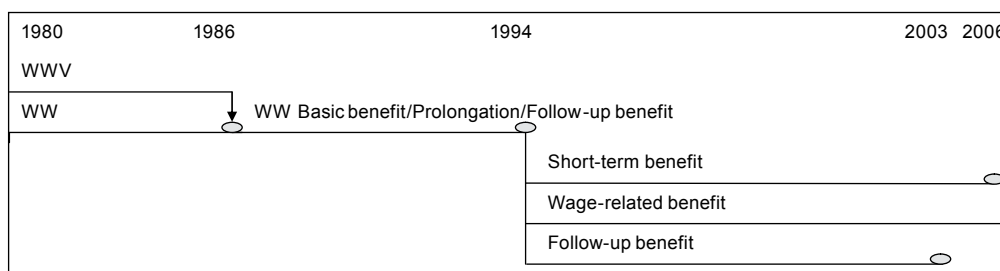
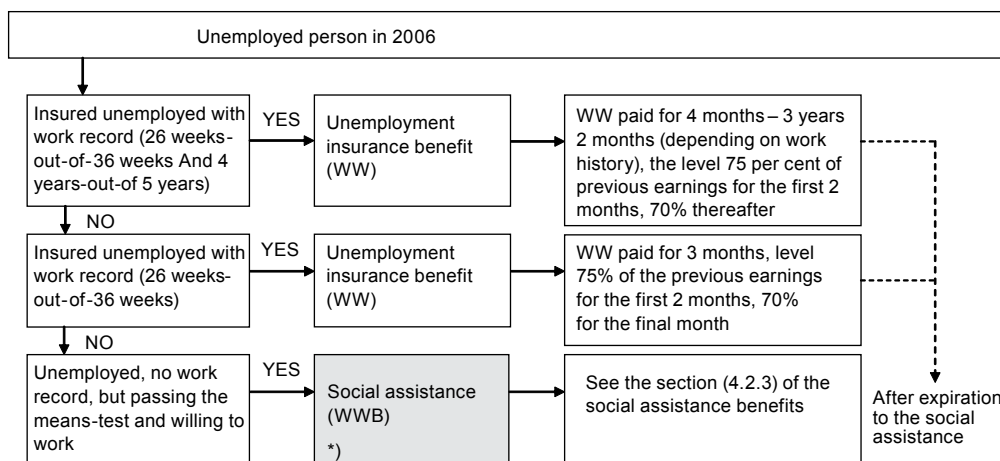


Figure 4.2. Chronological time-line of the changes in the Dutch unemployment benefit programmes 1980–2006.



Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For WWB, see section 4.2.3.

Figure 4.3. Route to Dutch unemployment benefit programmes in 2006.

### Changes in unemployment insurance benefit rules in the Netherlands, 1980–2006

Our analysis shows that from the reforms implemented between 1980 and 2006, three distinct periods of restructuring stand out: benefit entitlements were reduced in the 1980s, conditions related to (re-)entry to work were made stricter in the 1990s, and the role of WW as a temporary compensation for people in between jobs was strengthened in the 2000s. Next we elaborate on these changes.

#### Reducing the costs in the 1980s

Claims for unemployment benefits doubled between 1970 and 1980 (from 25,000 to 65,000) and doubled again between 1978 and 1982 (from 48,000 to 112,000) (van Oorschot 1998a: 187; UWV 2005: 14, Table 2.1). To cure this ‘Dutch disease’, the reforms of the 1980s were mainly aimed at reducing the costs of social transfers. Consequently, the levels of social security benefits were cut in the early 1980s, and later in the mid 1980s, and a fundamental revision of the unemployment protection programme was implemented.

#### Lower benefits and stricter access

The level of WW benefit was cut in the early 1980s (applying to most social security benefits), but first in 1981, stricter conditions to access the WW programme were set (Stb. 1981, 133). The past work requirement was doubled from 30 days-out-of-6 weeks (or at least 65 days-out-of-12 months) to 130 days-out-of-12 months, which reduced the number of WW claims. The duration of WW and WWV benefits remained the same. The consequences of the Act remained, however, rather small, as the number of benefit recipients grew from 65,000 in 1980 to 112,000 in 1982 (UWV 2005: 14, Table 2.1). In 1982, cuts were implemented to the benefit levels. Firstly, indexation was suspended between 1982 and 1985, which devaluated the level of benefits. Secondly, in 1984, benefits were cut twice by almost 3 per cent in nominal terms (Stb. 1984, 271). Finally, social security entitlements were notably reduced, when benefit rates were lowered from 80 to 70 per cent of the previous daily wage in 1984 (Stb. 1984, 633). Although WW and WWV recipients were often protected against a radical income loss through their collective bargaining agreements (between employers and trade unions), the cumulative affect of the changes was that WW was paid at a lower level from then onwards.

#### Divergent rules for the young and old under WWV

In addition to lower statutory entitlements and stricter access conditions, the rules under WWV were amended. Between 1983 and 1985, the entry and length of WWV benefit were linked more closely to the claimants’ age, leading to more inauspicious

rules for the young and more favourable ones for the old. In 1983, persons under the age of 23 could receive WWV only for one year, even though the duration of WWV was two years at the time (Stb. 1983, 278).<sup>130</sup> The opposite position existed for the rights of the older unemployed: people aged between 50 and 60 could be granted WWV (paid at the rate of 70 per cent of the statutory minimum wage) even after their regular WWV expired (Stb. 1984, 586).<sup>131</sup> Consequently, older workers were no longer confronted with a means-test (based on their capital or any other income in their household) as opposed to other (under the age of 50) claimants in the same situation (who, after their WWV right had expired, ended up with the RWW or the ABW benefits).<sup>132</sup> Finally in 1985, the receipt of WWV was linked to the claimants' age (Stb. 1985, 230). This brought about a reduction in the duration of WWV for the majority of claimants, but again the rules benefited the older above the younger: the older the applicant was, the longer they could receive WWV benefit. As opposed to the two-years-duration for all, the duration for beneficiaries under 23 on the first benefit day was cut down to six months. For claimants between 23 and 30 years, the duration was reduced to one year; and for persons between 30 and 35 WWV benefit was payable up to one and a half years. Only claimants aged 35 to 50 could claim WWV for two years, thus they saw no changes to their entitlements.<sup>133</sup> People aged 50 or older, as discussed above, received the minimum-rate WWV until their 60th birthday and people older than 60 could be granted WWV until retirement age (65). The alterations related to the WWV programme remained, however, very short-lived, since the new Unemployment Act in 1986 abolished the WWV programme. Some of the reforms nevertheless paved the way for future unemployment revisions as discussed next.

#### Introduction of the new unemployment benefit programme (WW of 1986)

The system revision in 1986 (Stb. 1986, 561–568) was the first milestone in a series of reforms for the unemployed. The new WW (Stb. 1986, 566) replaced the previous dual system of insurance WW and tax financed WWV benefits by a single WW

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130 Furthermore, it was amended that the young qualified for the benefit only if they had worked at least 130 weeks as an employee in a non-secondary job (more than 8 hours a week) in the three years preceding the first day of unemployment. This was slightly stricter than for other claimants.

131 The access to the WWV had traditionally been rather easy for the elderly unemployed. As of 1976, the WWV Act (Stb. 1976, 368) provided that the older claimants above 60 years of age at the end of their WW benefit period could claim the WWV benefit until pensionable age (65). In practice, employees dismissed at the age of 57.5 and satisfied the WW conditions could continue claiming unemployment protection in the form of WWV until they reached the pensionable age.

132 Furthermore, older claimants' position on the WWV often was particularly attractive if previous employers' supplemented their benefit: the employers supplement did not affect WWV benefit (subject to certain limits) as it did if they had to claim the social assistance benefit.

133 The duration of WWV benefit was set to a maximum of two years which period, unlike WW benefit, was not related to a calendar period after which a new right starts if benefit rights were not expired. The right to WWV benefit lasted from the first benefit day for a maximum period but this period need not to be continuous: when the conditions for WWV were no longer satisfied, the right expired, and, as long as the two year credit was not exhausted, the right to benefit could be re-established.

benefit for unemployment insurance programme (for a detailed analysis of the 1986 WW, see Pennings 1990; Pennings 2003). The new WW consisted of two wage-related (*loongerelateerde uitkering*) components and one minimum follow-up (*vervolguitkering*) component. Described more in detail shortly, an earnings-related basic WW benefit of six months was available to people with a short work history. After the expiration of the basic WW, an extension of WW was available to ex-WAO (disability benefit) recipients and people with a long(er) work history. After the expiration of earnings-related WW, a minimum rate follow-up benefit was available for one year (or 3.5 years for people 60 or over). The consequences of the 1986 Act on benefit conditions and rights are discussed shortly, but first we note the implications of the removal of the WWV programme. The abolition of WWV benefit was particularly disadvantageous for uninsured, older persons, and the long-term unemployed, since it had provided them with generous earnings-related benefits (paid also for a reasonably long time) without a means-test. Nevertheless the abolition of the WWV improved gender equality, as, unlike under the WWV programmes, married women who were not breadwinners were included in the WW programme, provided that they satisfied the work conditions (see more, e.g., Pennings 2002c: 52–57).<sup>134</sup>

#### Changes to the scope of persons

The 1986 WW Act led to a new definition of the term unemployed. Referring to Article 16, being unemployed meant that there had been a reduction of working hours in a week of at least five hours or half the normal working hours, without payment for the lost hours (for more detailed description, see Pennings 2003: 160–161). In order to be able to speak of unemployment, workers did not have to be dismissed, rather, the relevant loss of working hours was enough. This meant that people who lost a certain number of hours (at least 5 hours a week) could claim benefit. The WW of 1949 did not have such a provision.<sup>135</sup> This definition was deliberately designed to cover workers in irregular and part-time work (see also Pennings 1990: 371). Furthermore, the definition of voluntary unemployment was revised and Article 24 provided that employees were considered to be voluntarily unemployed (and thus could not get WW) if they had acted in such a way that they should have expected to lose their job (for instance due to abuse, misbehaviour or recklessness). In case this condition was not satisfied, the benefit administration could reduce the level and duration of benefit. Under the WW, benefit could not be paid at all in case of voluntary unemployment.

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134 In fact, however, the change arose as the Dutch government had to comply with EC equal treatment directives.

135 The number of the lost hours was determined by calculating the average number of working hours in the twenty-six weeks immediately preceding the first day of the loss of work and deducting the remaining number of hours (for more details, see Pennings 1990: 358).

## Increased work-relatedness in terms of access and duration

The 1986 WW was much stricter in terms of the conditions that one had to satisfy in order to qualify for benefit. The past work history conditions were tightened for new claimants. Very little changed for persons with a short work history: those having worked at least 26 weeks during the last 52 weeks (i.e. satisfying the 26-out-of-52 weeks condition), could claim basic WW for the first six months.<sup>136</sup> This rule was almost identical to the requirement (130 days) set in 1981. However, in order to qualify for the extension of WW (after the first six months), claimants had to satisfy a longer (though not too strict) work record requirement: in the five years prior to the beginning of unemployment, they must have been in employment (of at least eight hours a week) for at least three years (the 3-out-of-5 years' condition).<sup>137</sup> The extension could also be granted for those who had received WAO (disability) benefit directly prior to the commencement of unemployment.<sup>138</sup> Easier access for the disabled under the 1986 WW mainly alleviated the consequences of the 1986 reform which restricted the access to a (full) WAO benefit, as will be discussed in section 4.2.2. Although the new rules made it harder to qualify for the extension after the first six months, some groups, in addition to the disabled, could be granted an extension even with an 'insufficient' work history. For instance, time caring for small children could be taken into consideration when calculating the work history.<sup>139</sup> Reflecting the earlier changes in WWV benefit in the early 1980s, the duration of WW was linked in 1986 to the work history of claimants. This work history under the WW Act was partially based on years actually worked, but was largely calculated on the basis of a fictitious history. The actual work history consisted of the number of calendar years in which the employee received wages over 52 days during the period of five calendar years preceding the year of the first day of unemployment. The fictitious work history was made up of the number of calendar years from and including the year in which the employee reached the age of 18 up to the beginning of the period over which the actual work history was calculated. Basically this meant that the older the person was, the longer they could receive extended WW. The maximum duration of the benefit was extended and it varied from three months to four and half years. After the earnings-related WW expired, persons could qualify for the follow-up WW paid at the rate of 70 per cent of the statutory minimum wage (or of the wage of reference if this

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136 The Act in 1986 also implied that a particular week counted towards this purpose as soon as an employed earner worked at least one day in that week, i.e. no minimum number of working hours in that week was required (Pennings 1990: 356–357).

137 For certain groups of employees, such as musicians, artists, and seasonal workers, a lowered week condition (20, 16 or 13 weeks) applied with respect to their work record. From 1991 the condition was amended in that a year counted only if the person received wages for at least 52 days during that year (Stb. 1991, 338).

138 The disabled were eligible to the extension if immediately before the first day of employment, one received a disability benefit (Pennings 1990).

139 Under this 'child-care' ruling under the 1986 WW Act, the time caring for the children under 6 within the 5 year period counted 100 per cent towards the qualifying period. If the cared child was aged between six and twelve, only by 50 per cent of the time could be counted (that is, from one year, only six months were taken into consideration in this case).



was lower, for instance in the case of part-time workers). The follow-up WW was paid only for one year (later extended to 2 years), which made the long-term receipt (after expiration of earnings-related benefit) less generous. Again the rules favoured older claimants over the young as they (aged 57.5 or older) were granted follow-up WW for a longer time, up to three and half years.<sup>140</sup>

#### More activation

The 1986 reform also gave birth to unemployment benefit that was more conditional on the activities of new claimants at the point of entry, and made the conditions for people already on benefit more stringent. Previously, claimants had to register as unemployed at the employment office, and seek and accept work or training if offered. Since 1986, claimants were additionally required to be available for work as well as to be actively and demonstrably seeking employment while receiving WW. To demonstrate this, claimants had to take steps towards applying for a job (e.g. participate in interviews, prove their availability to accept work). Failure to do so could jeopardize their right to benefits and the administrative body might wholly or partially, temporarily or permanently, withdraw their benefit.<sup>141</sup>

To summarise, cost containing measures and particularly the introduction of the new WW in the 1980s tightened considerably rights to unemployment protection. On the one hand, rights were improved by extending the maximum duration of earnings-related WW. On the other hand, benefit rates were cut, a longer work history was required and the duration of wage-related WW was linked to the individual's past work history. Furthermore, WW was now more conditional upon claimants' work seeking activity at entry as well as while being on benefit.

#### Lower benefits, stricter conditions, and a move towards greater activation in the 1990s

Less than a decade after the introduction of the new WW (1986) with stricter access, lower entitlements, and more conditions, unemployment insurance rights were fundamentally cut by the introduction of a new minimum-rate WW in 1994. Favourable economic growth and improvements in labour market performance proved that in the late 1990s a shift from the 'Dutch disease' to 'Dutch miracle' could be produced. Few amendments were made to the coverage by WW, but during this period conditionality around the willingness to work was tightened.<sup>142</sup>

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140 Older unemployed persons could also qualify since 1986 for a new IOAW benefit with a milder means-test than the general social assistance scheme. This scheme will be discussed in section 4.2.3.

141 In a case of misuse or misconduct, refusing or lowering of the WW payment had been possible already before 1980, but as of 1986 the sanctions were clearly written in the law. For instance, insufficient efforts to find work; refusal of a training or job offer, and intentionally losing a job could cause a sanction.

142 In the 1990s, the scope of persons for social insurance schemes, including unemployment, sickness, and disability

### Further lowering of benefits

Beneficiaries' entitlements were again cut indirectly in the early 1990s. In 1991, the indexation mechanism was modified and rather than automatically indexing the minimum wage and social security benefits twice a year as previously, indexation was now linked to the general welfare condition experienced by the rest of the population. The change (Stb. 1991, 624) meant that benefit levels were raised only when the number of inactive people remained under a predefined ratio.<sup>143</sup> In time of low activity government could suspend the adjustment of the benefit rates without specific legislation. Benefit levels decreased between 1993 and 1995, as the legal minimum wage and social benefits were not indexed due to increase of the I/A-ratio from 81.4 in 1992 to 85.5 in 1994 (Visser and Hemerijck 1997: 141).

### Introduction of minimum short-term WW benefit in 1994

In 1994, the WW rules were again fundamentally revised (Stb. 1994, 955). WW no longer consisted of earnings-related WW for all persons with a work record and a minimum benefit for the long-term unemployed. Rather, a new minimum short-term WW (*kortdurende uitkering*) was introduced for persons with a short work history. The level of short-term WW was lower, only 70 per cent of the minimum wage as opposed to the wage-related benefit. The duration was set at six months. The work history requirement (26 weeks) remained the same for claimants with a short work history, but the reference period for the work record condition was shortened from 52 to 39 weeks. In other words, claimants of short-term WW had to satisfy the 26-out-of-39 weeks condition (as opposed to 39-out-of-52 weeks), linking the right of benefit to work activities in the more recent past. Recipients of wage-related WW had to pass stricter requirements related to their work history. They had to satisfy both the 26-out-of-39 weeks condition as well a stricter condition of having been in an employment relation (and worked at least 52 days during each year) for at least four years in the last five years (the 4-out-of-5 years condition) instead of 3-out-of-5 years. The level and

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benefit arrangements was amended. As the consequences (for workers' benefit rights) were relatively minor they are not elaborated in the text. In 1997, public servants were included in the national schemes (Stb. 1998, 203). Prior to this, public servants (e.g. civil servants, education personnel and soldiers) had their own special (and generous) public servants arrangements. The reform had minor consequences for their benefit rights as they often could claim special governmental supplements that increased their benefits (the WW, WAO etc.). How much and how long the supplements were paid depended on the organisation where the public servant previously worked. Furthermore, social security benefits were made available only for persons with a permanent permit to stay by the Benefit Entitlement (Residence Status) Act introduced in 1998. Residence was no longer sufficient, rather non-native recipients must also obtain a permanent permit to stay.

143 The indexation rules were made conditional on two counts (Visser and Hemerijck 1997: 141). First, there should be no excessive wage growth, that is, wage rises exceeding the anticipated increases in inflation and productivity (affecting the rise in the unemployment receipt). Second, there must be no increase in the number of social security beneficiaries with a consequent extension of rate of taxes and social security contributions. The two conditions were combined into one formula: I/A ration (Inactive/Active), measuring the number of benefit recipients as a ration of the employed population. It was announced that if the I/A-ratio exceeds a predetermined reference level, the trade union should expect the suspension of raising benefits in correspondence with an average of contractual wage rises. In 1992, the reference level of the maximum I/A-ratio was set at 86, later adjusted to 82.8 per hundred employed persons.

the duration of earnings-related WW remained the same. The duration of follow-up WW was extended in 1994 from one to two years, with the prevailing exception of three and half year duration for persons aged 57.5 or older. The 1994 changes within WW meant that, for the first time, workers with a work history (less than four years) ended up immediately with WW payable at a minimum rate. Van Oorschot (1998: 194) estimated that about 45 to 50 per cent of the working population could not meet the combined criteria (both the 26-out-of-39 weeks and 4-out-of-5 year conditions). Income-related protection was more strictly limited to workers with regular and long-lasting labour market ties. Other groups, including young people, people with flexible labour contracts, and people with repeated spells of unemployment, found it difficult to qualify.

#### Activation and enhanced return to work

Political attention culminated in the 1990s in the need to reintegrate as many recipients back to the labour market as possible. Most of these 'job, jobs, jobs' programmes took place outside the public income maintenance programmes (for more see Pennings 1990; van Oorschot and Engelfriet 1999) and the participants in the reintegration programmes (for instance in work experience or work training programmes) and people in subsidised work were often in fact transferred from WW to these programmes.<sup>144</sup> Therefore, very few activation measures were directly linked to WW rules. However, the specific Youth Work Guarantee (Jeugdwerkgarantieplan, JWG) programme for the young was an exception as its implementation was directly connected with a change of WW rules (Stb. 1991, 250). The JWG programme, introduced in 1991, included persons under 21 or school-leavers under 27 and guaranteed them, after a minimum unemployment period of six months, a temporary job for a maximum of two years. If these young people repeatedly refused or left the JWG job, they no longer had a right to WW. In January 1998 the act was subsumed by the wider ranging Jobseekers' Employment Act (WIW, Stb. 1997, 768). According to WIW a joint plan was drawn up, at the time of unemployment registration, with every young person (under 23 years of age). WIW also introduced more activation with respect to adult workers (over 23 years of age), but unlike the youth, not every unemployed person was offered a new start within a year: persons at a higher risk of long term unemployment began their activation obligation sooner. From 1998 onwards, Dutch jobseekers were categorized in four different phases according to their level of detachment from the labour market, which aimed at a faster outflow from benefit and a more efficient activation of the claimants.<sup>145</sup> Refusal to co-operate or misbehaviour could lead to (temporary or

144 Important labour market instruments of the Dutch government in the 1990s were, for instance, subsidised employment schemes (for instance ID- and Melkert jobs and fiscal instruments such as the WVA Wet vermindering afdracht loonbelasting en premie voor de volksverzekeringen) (Stb. 1995, 635) that reduced the employers' tax liability for the low paid labour force). Furthermore, the Dutch municipalities could provide outflow premiums to stimulate the transition from the benefit system or a subsidised job to a regular job.

145 Phase 1 consisted of people (approximately three quarters of unemployed in 1998) who were expected to find themselves a job, who require some guidance to measures available (job mediation, some counselling). In Phase 2-3, people

permanent) ineligibility for WW. Even though most activation programmes existed outside the WW programme, developments in the 1990s institutionalised active labour market policies within the Dutch social security programmes (see also van Gerven 2008 for our discussion on this elsewhere). Some elements of activation had been incorporated in WW rules at an earlier stage. Since the introduction of the 1986 Act the unemployed were obliged to be available, seek and accept suitable work. Suitable work, as defined in the WW (Article 24, paragraph 3) covered all work, given the employee's capability and competence, unless for physical, mental or social reasons it was found that accepting such work could not be demanded.<sup>146</sup> The definition of suitable work was made more stringent in the 1992 Suitable Work Guideline, which provided that the unemployed could seek work at their former level of education and/or work experience only for the first six months, and thereafter they gradually had to widen their 'definition' of suitable work (Stcrt. 1992, 103). Consequently, recipients educated at the highest (university) level had to accept any job after two years. Every recipient's situation was defined individually and the main rule was that the longer the claimant had been unemployed, the wider range of job offer they had to accept. As mentioned above, in specified situations persons could refuse a suitable job offer pleading social, moral or religious grounds. This included care of family members younger than the age of five, moral or religious objectives, and health reasons. Four years later, in 1996, these guidelines were amended again (Stcrt. 1996, 60). All temporary work was considered immediately suitable. However, acceptance of a temporary lower paid job did not imply that the person was labelled as a lower status worker in the future (except for school-leavers as discussed shortly), rather claimants kept their former status. Claimants also had to accept work sooner from 1996: the highest educated recipients (with a work record) had to take up all offered work after one and half years (previously two years). Encouragement to work applied increasingly to all WW recipients, but it was particularly the young who felt the most compulsion to enter the labour market. In 1995, the right of school-leavers to refuse job or training offers was considerably restricted (Stb. 1995, 604). School-leavers claiming WW were obliged to accept all work offers immediately rather than after six months as previously. Only academic graduates could extend their job search for six months, however, they had to accept polytechnic level work immediately after claiming WW. This could lead to severe implications for their employment. When higher educated graduates accepted a lower paid job (e.g. assembly line), they became labelled as lower educated, which evidently gave them fewer chances to find later work at their level of education. This anomaly was abolished for other claimants in 1996, but continued to affect school-leavers.

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required more training to re-enter the labour market, and in Phase 4 reintegration was considered not to be possible without extensive activation measures.

146 More details were given in the case law and, for instance in the 1992 Guideline on Suitable Employment (Stcrt. 1992, 103).

### Stricter sanction policy

The obligation to seek employment was also strengthened by implementing harsher sanctions. Sanctions were no novel innovation, since such regulations (reduction or withdrawal of benefit) had existed since the heyday of the WW programme (WW 1949). Throughout the years, sanctions policies had been revised under several WW Acts, but it was not until 1996 that an Act (BMTI) implemented a unified sanction policy for all social security benefit programmes (Stb. 1996, 248).<sup>147</sup> The BMTI introduced a more efficient sanction policy and obliged the benefit administrators to apply it (without having powers of deviation) and made the sanctions considerably more stringent. Prior to BMTI the sanctions under WW could involve benefit reductions of few percentages for a period of a few weeks of misconduct, but also full refusal of benefit. After the introduction of BMTI, if the workers were held responsible for losing their jobs (for example due to unsuitable behaviour, recklessness or refusing suitable work etc.), their right to WW was permanently withdrawn. In case of less serious misdemeanour (persons not satisfying the obligations set out, for instance, actively seeking work etc., for more see e.g. Pennings 2003: 174–176) less severe sanctions applied, for instance, a reduction of 25 per cent of the benefit during 26 weeks (Article 27, paragraph 1). Abbring (1997) and Van den Berg et al. (1998), in their evaluations of the sanctions in the Netherlands, indicate that these sanctions have proven their effectiveness: they found that the transition rate to work doubled.

### Making WW a temporary compensation for people ‘between two jobs’ in the 2000s

After a decrease in the number of people claiming WW in the second half of the 1990s (as part of the Dutch Miracle), the number of unemployed almost doubled again from 166,000 in 2001 to 322,000 in 2004 (UWV 2005: 14, Table 2.1). The legislative changes in the first half of 2000s were relative favourable for most, although older claimants witnessed the abolition of most of their privileges (related to early retirement) and benefit duration was shortened for all. Indeed, as the Cabinet’s slogan (Website of Ministry of Social Affairs and Employment 2006, <http://www.szw.nl>) in the title suggests, the nature of WW was changed to a bridge ‘between two jobs’, rather than a life raft for the unemployed. Even administration of unemployment insurances was considerably reformed to support this goal.<sup>148</sup>

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147 For instance, the WW of 1986 modified the WW sanction policy by applying benefit sanctions for insufficient evidence of searching for work, the refusal of job or training offer, and intentionally losing a job. Additionally, each benefit administration (being 26 at the time) could define sanction policy corresponding to its needs. This, however, meant that sanction policies were very scattered and incoherent.

148 Since the rise of mass unemployment in the 1970s the administrative and organisational setting has been in permanent change (for an extensive outline see van der Meer and Visser 2004). Inspired by the success of corporatist undertakings after the Wassenaar agreement, the Public Employment Services, PES (in Dutch CBA) underwent a major reform in 1991 (arbeidsvoorzieningswet 1990), which changed the organisation for helping (long-term) unemployed back to work from a government service agency into a private body under public law, still financed largely by the Minister of Social Affairs and Employment. PES was thus brought under tripartite control (trade unions, employers organisations and government), financed by the government, but run independently. A new reform only six years

### Encouraging older workers to return to work

After two decades of reforms protecting older persons (aged 57.5 or older) under WW (and previously under WWV), most of their privileges were removed in the early 2000s. The follow-up benefit was abolished in 2003, which meant much shorter duration for all under WW (Stb. 2003, 547). The abolition of the follow-up benefit was particularly detrimental for older recipients, who previously could claim follow-up WW for up to three and half years, but who now had to rely on social assistance. The older unemployed (57.5) had to seek work as of January 2004 after being exempted from this obligation for decades (Stcrt. 2003, 241). However, the consequences of these reforms were less dramatic given the nature of the Dutch social protection system for older people. A programme called IOAW (discussed in the section 4.2.3) provides somewhat higher social assistance benefits for older people (as it tests only income but not capital unlike the general social assistance programme), hence preserving the special treatment of the older population. However, the older unemployed, like everybody else, were required to find their way back to the labour market.

### In-work activation

Most Dutch activation measures were implemented already in the 1990s, but after a successful experiment in which long-term WW recipients (after a minimum of six months unemployment) were allowed to work or participate in activities (which improved their changes on the job market) for three months without impacting their WW benefit, this policy was permanently adopted in 2004 (Stb. 1999, 307 and Stb. 2004, 724). Furthermore, in 2005, disabled people participating in re-integrative education programmes (to improve their changes on the job market) were given the right to claim WW until the end of their training course, even though the 'normal' duration of unemployment benefit would be shorter (Stb. 2005, 382). This particular change in the WW alleviated the consequences of reassessment for disability beneficiaries (ref. also to the 1986 WW change) as discussed in the section of disability benefits (4.2.2).

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later (arbeidscoördiningswet 1996) was suggested to open a window for linking between labour market and social policy. The employment services were given the tasks of job mediation, registration of jobseekers and vacancies, *as well as* easing the outflow of the groups with most difficulties to (re)enter the labour market. A part of this was the introduction of Centrum for Income and Work (CWI), where the municipalities, social insurance institutions and employment services would be brought together. The new one-stop-shops, CWIs, were planned to bring the primary job mediation, benefit claims, and registration of jobseekers together. Gradually these plans have been put in action and in SUWI Act 2002 the CWIs were established as independent administrative bodies. SUWI altered also radically the administration of social security benefits, by introducing a new administration body (UWV) for social insurance benefits and the social partners lost most of their tasks in administering the policies. Administrative changes changed only indirectly benefit rights (through increased conditions etc.) and therefore are not discussed in the text.

### Amended new Unemployment Benefit act, WW of 2006

The most significant alteration of the 2000s was the introduction of the new amended WW (Stb. 2006, 167) in 2006. The reform had two key consequences. On the one hand the Act abolished short-term WW and made that all WW benefits were earnings-related again. On the other hand, the Act tightened the conditions to qualify for WW and cut significantly the duration of WW for all.

### Stricter access for shorter but higher paid benefits

Prior to the cut to WW duration under the 2006 Act, the entitlement period had already been considerably cut. The abolition of follow-up WW in 2003 caused the long-term unemployed to move faster from WW to social assistance (Stb. 2003, 547). In 2004, the entitlement period decreased as the impact of fictitious work record was decreased (Stb. 2004, 594). The fictitious work history made that WW benefits were based on the age of the claimants: the older the claimant, the longer benefit was paid. As of 2004 the duration of WW was based more on the claimants' past work record for which purpose issue came a fixed year; years before this year still could still count as a fictive period. For people with a solid work record since 1998, the alteration meant no great change. For others, the consequences can become rather unfavourable. The 2006 Act shortened the duration further. The maximum duration varied now from three months to 38 months, which is considerably shorter than in the 1980s and 1990s. As new claimants no longer have a right to follow-up benefit, they must turn to the social assistance programme after expiration of their WW. The only exemption stands for older persons who in some cases can claim the IOAW assistance benefit. Furthermore, the WW of 2006 tightened the work history condition slightly, as it restricted the first qualifying condition for WW from 26-out-of-39 weeks to 26-out-of-36 weeks. A considerable improvement of the Act was that the short-term WW paid at a minimum rate was abolished and all persons satisfying the work record could now claim earnings-related WW. The level of benefit was also raised from 70 to 75 per cent of the previous wage for the first two months of receiving the benefit.<sup>149</sup> Thereafter the benefit is paid at rate of 70 per cent of the previous wage. By providing higher benefits for a shorter period, WW was revised to be a temporary compensation for people in between jobs and incentives were given to recipients to take up new work as soon as possible.

### Increasing conditionality

The new WW also tightened the work-related obligations imposed on recipients. As of January 2007, a so called Gatekeepers test was introduced for recipients after the three first months of benefit. The test involved the review of the recipients' attempts

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149 Between 2004 and 2005, however, no indexation of the benefit was made, which devaluated the level of WW for current recipients.

to find work. Insufficient attempts result in suspension of benefit entitlement. WW has thus been visibly geared towards increasing activation: rather than being an end point, WW is regarded as an intermediate station on the road to work.

#### Conclusion of the Dutch unemployment benefit reforms

The WW programme has undergone considerable changes during the last decades. The changes in the 1980s meant that, on the one hand, the ‘Dutch disease’ was tackled by cutting costs (mainly by reducing benefit levels in one way or another). On the other hand, the system revisions of 1986 gave birth to an unemployment protection programme with closer ties to the job market. In the 1990s, facing (too) high numbers of persons claiming WW, it was not only important to reduce access to and entitlements to the programme, but also to re-integrate the beneficiaries (back) to work. The reforms of the 1990s manifested the ideology of ‘work, work, work’, both for new and existing claimants. This was continued in the 2000s. Furthermore, in the new millennium WW was made purely earnings-related (for those who qualified for it). At the same time, however, the duration was cut so that WW offers now primarily a compensation for people in between two jobs, and in many cases no longer offers the means for a sufficient livelihood in the longer term. But what have the last 26 years precisely meant for benefit eligibility, entitlements and conditions for WW claimants? Table 4.1 (see p. 142) illustrates the core changes to benefit rights and conditions.

The last 26 years have changed WW into a benefit for workers who have a solid work history. The relaxed conditions to access WW for certain groups (sick, child carers) outside the regular wage work have been gradually moderated. The disabled were given easier access to WW during the 1980s (and to some extent in the 1990s), while WW had the essential task of alleviating the consequences of the tightening the disability rules (discussed in the next section). But even for the disabled, the softer rules to access have become less frequent. At the end of our research period, we can see clearly that in order to receive WW one must have worked. In addition to stricter conditions related to work history, claimants must satisfy more (work-related) requirements: they must participate in interviews, be available for work, actively seek and accept almost any job or training offered to them. These developments affect all claimants groups. Perhaps the group facing most access difficulties today consists, however, of young people and school-leavers. The young (under 23) have, in most cases, been excluded from the WW, as they are expected to participate in activation programmes (with much stricter obligations and sanctions). In addition, older persons now face considerable obligations to work rather than remain on WW.

With regard to the level of benefits, no radical cuts have been implemented since 1984. Between 1994 and 2005 the minimum basic WW lowered considerably entitlements for persons with short work history, but since 2006 the WW has been made an earnings-related benefit for all (who are entitled to benefit). Although, the general development under WW benefit levels is that entitlements have decreased, the programme remains



**Table 4.1.** *Changes in benefit rights under WW in the Netherlands.*

	The 1980s	The 1990s	The 2000s
<b>ELIGIBILITY</b>			
Scope of persons	<ul style="list-style-type: none"> <li>– Married housewives included</li> <li>– Abolition of WWV</li> </ul>	<ul style="list-style-type: none"> <li>– Young under 23 to JWG programme</li> </ul>	
Requirements	<ul style="list-style-type: none"> <li>– Receipt of WWV more age-related: shorter duration and tighter work conditions for person under 23 and easier access of WWV for 50+;</li> <li>– Duration of WWV made shorter for persons under 35 and made related to age</li> <li>– Tighter past work condition: (26-out-of-52 weeks &amp; 3-out-of-5 years) Softer rules for some</li> <li>– More active job search required (interviews, availability for work)</li> </ul>	<ul style="list-style-type: none"> <li>– Definition of suitable jobs extended: must accept all jobs after 1.5 years</li> <li>– Tighter past work history condition: (26-out-of-39 weeks &amp; 4-out-of-5 years)</li> <li>– School leavers must accept all work immediately</li> <li>– Temporary job also suitable; acceptance of a lower grade job does not lead to downgrading (except for school-leavers)</li> </ul>	<ul style="list-style-type: none"> <li>– Elderly aged 57.5 and capable work must seek work</li> <li>– Benefit receipt tied to actual work history; the amount of care time taken into account diminished</li> <li>– Tighter past work history condition: (26-out-of-36 weeks and 4-out-of-5 years)</li> </ul>
<b>ENTITLEMENTS</b>			
Level	<ul style="list-style-type: none"> <li>– No indexation 1982–1985</li> <li>– Benefit levels cut (–6%) and (from 80% to 70%)</li> <li>– Introduction of minimum follow-up benefit: lower benefits for long-term unemployed</li> <li>– WAO recipients automatic right to the extension of WW</li> </ul>	<ul style="list-style-type: none"> <li>– No indexation 1992–1994</li> <li>– Basic benefit was made to minimum benefit for the persons with short work history</li> </ul>	<ul style="list-style-type: none"> <li>– No indexation 2004–2005</li> <li>– Short-term WW abolished</li> <li>– For the first 2 months level raised to 75% of previous daily wage thereafter the same (70%)</li> </ul>
Duration	<ul style="list-style-type: none"> <li>– Duration made age-related and related to past work history (and slightly shorter: basic 6 months + extension 3 months –4.5 years + follow up 1 (3,5 elderly) years)</li> <li>– Abolition of the WWV brought much shorter benefits for the elderly (50+)</li> <li>– Follow-up benefit provided shorter extensions for all (than WWV)</li> </ul>	<ul style="list-style-type: none"> <li>– Duration slightly changed: short term 6 months OR wage-related 6 months –5 years + follow up to 2 years (3.5 years elderly)</li> </ul>	<ul style="list-style-type: none"> <li>– Ex-WAO beneficiaries could get WW until the end of their re-integrative education</li> <li>– Abolition of follow up benefit shortened the duration of WW</li> <li>– Duration of WW cut considerably (3 months or 4 months – 3 years and 2 months)</li> </ul>

ADDITIONAL CONDITIONS			
Obligations		– Young to JWG	– Gatekeepers test
Sanctions	– Sanction for inactive job search – Sanctions clarified and increased	– Sanction if not following the rules of activation programmes – Sanction rules unified BMTI	– Sanctions under Gatekeepers test
Incentives for work	– (Work experience and work subsidy programmes)	– Activation programmes (outside WW) and JWG for young people	– Long-term unemployed could work 3 months without consequences to their WW

to provide earnings-replacing benefits paid at reasonably generous levels. At the same time, the duration of the WW has been profoundly shortened for most persons. As the duration depends on individual’s actual work history, persons with a short work record receive WW for a much shorter period than in 1980. Persons with a long record may today claim benefits for longer than in 1980, but during the 1980s and 1990s the period of WW payment was even longer. The shorter duration on insurance benefit together with the fact that no follow-up WW is available means that WW recipients today will move more rapidly from social insurance to social assistance. This denotes that the claimants’ rights have been cut perhaps more than generally intended.

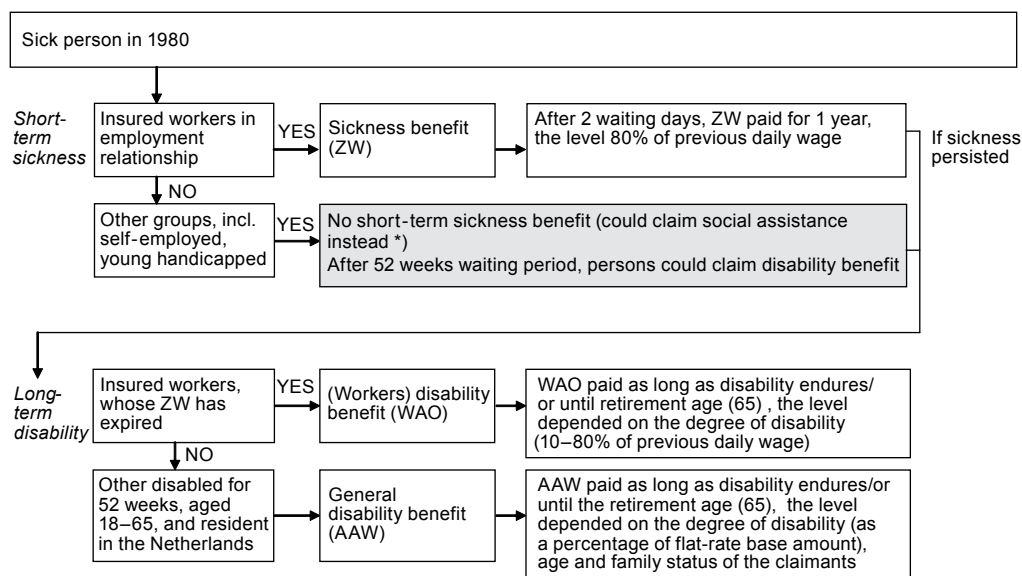
In addition to the conditions relating to WW, the reforms during the last two and a half decades have required beneficiaries to share the responsibility of becoming re-employed. Outside WW there are numerous programmes aiming at reintegration of the (in particular young and long-term) unemployed, but recently more activation elements have been incorporated in the WW. For instance, allowing WW recipients to work has recently provided WW beneficiaries with the possibility of trying out working while receiving benefits. Perhaps more fundamental change is yet to come. The introduction of the Gatekeepers test (in 2007) is currently under debate as to whether it will help the benefit administration successfully to bring people back to work, or turn out be a ‘nightmare’ for social rights? In any case, the Gatekeepers test fits with government’s wishes that reintegration is the primary goal for recipients and that benefit recipients must play their part in finding employment. Indeed, the stricter conditions concerning activation under the Dutch programme have been supported by a modified (and unified) sanctions policy, which has made it easier to reduce or refuse benefits if claimants are not willing to co-operate in activation measures.

#### 4.2.2 Reforming Dutch sickness and disability benefit programmes

Description of the sickness and disability benefit system in 1980 and 2006

In 1980, there were three benefits available for compensating the loss of income due to illness and work incapacity: one for short-term sickness and two for long-term disability as described in Figure 4.4.

Since the introduction of the Sickness Benefit Act (*Ziektewet*, Stb. 1913, 204), workers could claim short-term sickness benefit (the ZW as of now) to compensate their loss of income due to sickness or disability. In 1980, most workers were covered by this compulsory insurance, which provided them with benefits irrespective of the cause of their sickness.<sup>150</sup> Certain groups, including for instance the self-employed, young disabled, and students were not covered by the ZW: these persons had to turn to social assistance for cash transfers during the initial period (six months) of sickness (see section 4.2.3). After a two-day-waiting period, the ZW benefit amounted to 80 per cent of the previously earned daily wage (with the maximum of €108 a day in 1980), however, many employers topped this up to 100 per cent based on collective agreements. ZW was paid for a maximum of 52 weeks. Although ZW acknowledged no work



\*) Note: the grey box indicates that the benefit programme mentioned is not discussed in this section. For social assistance, see section 4.2.3.

**Figure 4.4.** Route to Dutch sickness and disability benefit programmes in 1980.

<sup>150</sup> The ZW covered most workers under 65 and residing in the Netherlands, for instance musicians, artists, house helps etc. having a broader coverage than for instance the WW. Military personnel were excluded from the scheme in the 1970s, when their provision was taken over by a separate Act (Stb. 1972, 313).

obligation, benefit claimants were expected to accept work if the medical advisor of an insurance company indicated that working would be beneficial. The refusal of such work might lead to sanctions.

After 52 weeks on ZW, recipients with ongoing incapacity for work could claim long-term disability provision under the Act on Insurance Against Incapacity for Work (*Wet op de Arbeidsongeschiktheidsverzekering*, Stb 1967, 84, WAO as of now); through employees' insurance programmes. The WAO paid benefits based on the claimant's daily wage, up to a certain maximum (also €108 a day in 1980). Being no more than 80 per cent of the claimants' daily wage, the level of benefit depended on the degree of claimants' disability.<sup>151</sup> The benefit was granted as long the incapacity lasted or until the first day of the month that the person turned 65. Claimants had to undergo re-assessment if required so by benefit administrators. Non-workers were covered by the General Law for Disabled (for Work), a national insurance, the AAW (*Algemene Arbeidsongeschiktheidswet*, Stb. 1975, 675) provided that they were aged 18–65 and were residents of the Netherlands.<sup>152</sup> The AAW was a flat rate benefit without a means-test. The base amount per person was linked to the age of the claimant: for persons over the age of 21 the base amount was €31 a day (in 1980), 20 year-olds had a rate of €27, 19-year-olds €24 and 18-year-olds €21 a day in 1980 (*De kleine gids voor de Nederlandse sociale zekerheid* 1980). The base amount could be increased for some categories, for instance for couples with a low income, single parents with a child/ren under 18, or lowered for others, for instance for part-time workers. The benefit level actually received was linked to the claimants' degree of disability.<sup>153</sup> Similar to the WAO benefit, the right to the AAW lasted as long as a person remained incapacitated or until pensionable age (65). Figure 4.5 (p. 146) briefly describes developments between 1980 and 2006.

The ZW remained the primary transfer programme for short-term illness until the Continued Payment of Salary (Sickness) Act, the WULBZ. The WULBZ reduced considerably the scope of persons under the ZW, and from March 1st 1996, employers had to pay wages for the first year for their sick employees.<sup>154</sup> The ZW benefit was preserved but it now covered specific categories such as pregnant women, formerly disabled workers, and workers whose temporary contracts had expired. The national insurance programme, the AAW, was abolished in 1997 and replaced by the Incapacity

151 Persons with a disability of 80% or more, received a WAO benefit paid at the level of 80% of their previous daily wage. For people with a lower degree of disablement, the WAO percentage decreased in steps according to classes of disability to 10% for those with a minimum degree of disability (between 15 and 25%) (see e.g., *De kleine gids voor de Nederlandse sociale zekerheid* 1980: 18).

152 A person having a right to a WAO-benefit could not receive the AAW benefit. However, if the WAO benefit was lower than the AAW benefit, the latter supplemented the benefit. Also as of 1 January 1980, all married women had a right to an individual AAW benefit. Prior to this, only the married women who were separated from their partners had this right.

153 Similar to WAO, in the case of the maximum level of disability (80% or more), claimants were entitled to a benefit equal to 80% of the base amount relevant for them. The minimum degree of incapacity for the AAW was slightly higher, 25%, in which case the level of benefit would have been 20% of person's base amount.

154 In contrast to UK reforms, this was not reimbursed by the sickness funds.

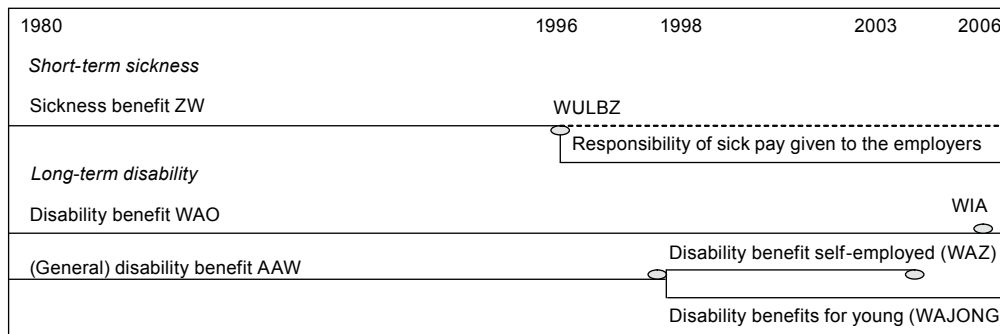


Figure 4.5. Chronological time-line of the changes in the Dutch sickness and disability benefit programmes 1980–2006.

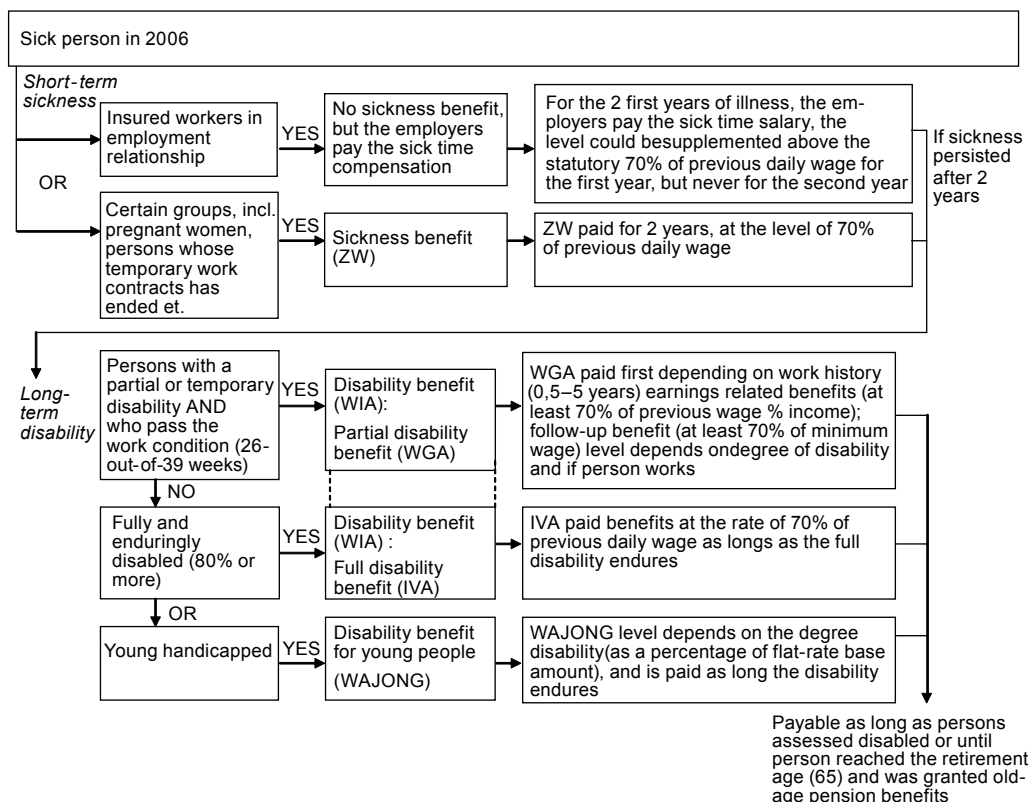


Figure 4.6. Route to Dutch sickness and disability benefit programmes in 2006.

Insurance for Self-Employed Persons Act (WAZ) and the Incapacity provision for Young Disabled Persons Act (WAJONG) which covered the self-employed and young disabled. However, access to WAZ was terminated in 2004 and since then, the self-employed have to rely on voluntary private insurances. In 2004, the workers' WAO was replaced by WIA, Act on Work and Income, as discussed below. Figure 4.6 (p. 146) describes the current system for sickness benefit in 2006.

The Dutch sickness and disability benefit provisions have undergone substantial change in the period to 2006. Workers can in principle no longer claim public sickness benefit, rather their sick pay for the first two years is borne by their employers. After this period, insured workers can make a claim for long-term disability. In 2006, the new long-term disability programme (WIA) came into force and introduced considerably tightened conditions compared to the WAO programme as will be described below. For example, the new programme makes a clearer division of provision for those able to work and those who are not. In the former case, disability provision provides for those without income from work with only a low benefit. No universal disability benefit is available since the abolition of the AAW, but the young disabled are still covered by the WAJONG.

#### Changes in sickness and disability benefit rules in the Netherlands, 1980–2006

From reforms implemented between 1980 and 2006, three distinct periods of restructuring stand out: the reduction of benefit levels in the 1980s, the restriction of the access to WAO and privatisation of the sickness benefit in the 1990s, and the clearer distinction between partially and fully disabled through the revision of the disability programme in 2004. Next we analyse these changes.

##### Lowering benefit entitlements in the 1980s

The reforms during the 1980s lowered the benefit levels of the sickness and disability provisions. This was done by cutting entitlements and changing the eligibility rules. Linking the level of benefit entitlements to the levels of disability and introducing the re-assessment of claims for younger claimants were the first steps on the path towards tougher disability policies.

##### Direct cuts: Cuts to benefit levels

As discussed in the previous section of WW benefit, the levels of social security benefits were reduced during the early 1980s. For ZW and WAO, changes such as suspending indexation between 1982 and 1985, cutting the benefits twice by almost three per cent in 1984, and lowering the benefit percentages to 70 per cent (in 1984) each reduced the level of benefit. As was the case for WW claimants, the income consequences of

reducing the benefit percentage were commonly alleviated with collective bargaining agreements, and therefore these cuts did not necessarily hit disabled workers that hard. However, those dependant on benefits linked to the minimum wage, such as AAW recipients, found their entitlements reduced by ten percent over night with no employer supplements.

Indirect cuts: Benefit levels linked to the degree of disability and reassessment of the claimant

One of the main objectives of the system revision of the mid 1980s was to cut rising social expenditure. In the case of disability protection, it was hoped that expenditure reductions would be achieved by promoting work for disabled workers (under the activation measure WAGW as discussed below) and, very importantly, by abolishing an anomaly existed within disability benefit provision since the early 1970s. Since 1972, it had been possible to receive full benefits even if only partially incapacitated.<sup>155</sup> The discrepancy was possible while in determining the remaining earnings capacity it was considered whether claimants who, in theory, possessed a certain earnings capacity, would be able to realize this in the labour market. Should they be unable to do so as a result of their disability, the theoretically determined remaining earnings capacity would be lowered and the degree of incapacity to work was assessed at a higher level. Due to these generous rules, it was not surprising, that the WAO programme was frequently used in the 1970s and 1980s for easing the effects of mass redundancies and restructuring of the economy (see e.g., Klosse 1989). This was, however, an expensive way to restructure the labour market and had led to a considerable growth in numbers of people claiming disability benefits. In 1987, the level of WAO benefit was strictly linked to the extent of disability and partially disabled workers with reduced labour market prospects could only be granted partial disability benefits (Stb. 1986, 561). The reform was particularly unfavourable for older and less efficient workers, who under the previous rules often received full benefits even if their disability was only partial. Since 1987 they faced much lower WAO benefits, which they often had to combine with time-limited and more conditional WW.<sup>156</sup> Another implication of the 1986 Act was that the claims of younger claimants (18–35) were re-assessed, using new, stricter criteria. Other claimants, including the young disabled under the age of 18, persons with full disability (over 80 per cent), and persons aged 35 or older at the time (31 December 1986), were exempted from re-assessment and they maintained their right to a full WAO benefit based on a transitional arrangement. The re-assessments could have severe consequences: if a person was assessed as partially disabled, the level of their

155 Regardless of relevant Acts and case law, the GMD (Gemeenschappelijke Medische Dienst), the agency responsible for matters related to the delivery and development of the WAO scheme, made an administrative decision that the WAO should provide also for long-term partially disabled persons, rather than force them to apply to the less favourable WW or Abw. It was not surprising, that this law was frequently used in the 1970s and 1980s for easing the effects of mass redundancies and restructuring of the economy. Dutch journalists later criticised harshly this administrative decision (Hibbeln and Velema 1993).

156 Disabled persons combining their WAO with the WW had to satisfy the stricter rules connected to the latter: they must be registered at the Employment Office, must look for work, and accept any suitable job or training offered.

benefit decreased considerably. Similarly, if persons no longer met the definition of disabled, they must claim either the WW or social assistance instead. Furthermore, to facilitate the employment of disabled persons, the first of reintegration Act, the WAGW, was introduced to stimulate employers and trade unions to promote equal chances for disabled workers (Stb. 1986, 300). The WAGW, however, offered only a legal framework for existing measures and encouraged employers to take measures that preserved, recovered and promoted the working capacities of disabled workers. Despite the high expectations, the 1986 reforms led only to minor effects on expenditure and number of unemployed.<sup>157</sup> Figures (in SZW 1992/1993: 45, Table 3.10) indicate that the share of people receiving full WAO decreased only from 83 to 80.3 per cent between 1985 and 1990, and at the same time the share of partially disabled increased merely from 17 to 19.7 per cent. Furthermore, the number of disability beneficiaries (AAW and WAO) grew from 762,000 in 1985 to 904,000 in 1991 (SZW 1992/1993: 45, Table 3.10).

Fighting against the rising number of disability benefit claimants in the 1990s: Stricter access, tighter entitlements, and a greater activation

To combat the rising number of disability benefit claims, a series of reforms was introduced in the 1990s to fundamentally restructure sickness and disability benefit provision (TK 1982/1983).<sup>158</sup> Each of the so-called T-laws altered the benefit provision and together they tightened the conditions (with regards to access, duration, rate, and activation) around the receipt of WAO. The laws were followed by the privatisation of the ZW for workers and the new disability benefit programme WIA.

TVA: A step towards labour market integration

Since the WAGW in 1986, employers and trade unions were encouraged to promote equal chances for disabled workers, but the WAGW had not produced the expected results. Therefore, the first T-Law, the Act on Reducing the Disability Volume (TVA Stb. 1992, 82) was introduced in 1992. The TVA imposed more obligations on employers to generate suitable work for their sick employees, if such was available in the company (TK 1990/1991b). Unlike the WAGW, the TVA also imposed employee responsibilities. Employees, provided that the insurance physician had indicated that they were able to do suitable work, had to take up a job offered (at their current employer or at any other employer). Supported by a wide range of penalties, the return of benefit recipients to work was set as the norm rather than the exception.<sup>159</sup> Six years later, the Reintegra-

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157 It was estimated by the Dutch government that approximately NLG 6.800 million would be saved and 21 per cent of beneficiaries would leave from the schemes (Besseling and Sprenger 1991: 655).

158 On advice by SER (the Social and Economic Council of the Netherlands), the main advisory body to the Dutch government on national and international social and economic policy, the T-Laws were introduced during the 1990s. The particular advise referred here was 91/15 of 12 July 1991 (in Pennings 2002a: 11).

159 Furthermore, the TVA separated most in-work subsidies from the disability schemes and developed them under a



tion Act (REA, Stb. 1998, 290) implemented further measures to require employers to promote the re-integration of their incapacitated workers for two years (as long as the Dutch Labour Law guaranteed that employers could not fire the employee) and provided for many subsidies. Under REA, a special reintegration payment was made available during participation in a work experiment, training etc and therefore REA did not directly alter the rules under the WAO benefit programme.<sup>160</sup> However, together with TVA, REA obliged employers to support disabled persons' employability and aimed at promoting equal opportunities on the job market.

TBA: End of earnings-related benefits until the retirement age

The second T-reform, the Act on Reducing Disability Claims, the TBA, structurally revised the WAO programme in 1993 (Stb. 1993, 412). It re-modified the benefit structure, tightened the disability criteria, and introduced again a re-assessment for benefit recipients. First, the WAO benefit was divided into two: a basic benefit (*loonder-vingsuitkering*) and a follow-up benefit (*vervolguitkering*). The basic WAO remained a wage-related benefit (70% of the previous daily wage) as earlier, but its duration was related to the claimants' age at the time of establishing the right. After the expiration of the basic WAO, the follow-up WAO took over the provision. The follow-up WAO provided benefits at the level between the original daily wage and the minimum wage, however, the younger the claimant was, the closer the level of their benefits were to the minimum wage. Although paid at a much lower rate than earlier, WAO remained payable until retirement age (65). The new structure (basic and follow-up benefit) gave rise to a problem called the WAO gap. The WAO gap referred to the difference in the benefit levels between the first basic benefit period and the second follow-up benefit period. For many disabled workers the affect of the new structure remained less problematic while the gap was topped up by individual working contracts or collective agreements. By 1994, 85 per cent of all employees were covered by such gap insurance (Trommel and van der Veen 1999: 17). Nevertheless, the TBA lowered the total level of the WAO benefits received, while the average WAO-benefit as a percentage of the average wage decreased from 71.8 per cent in 1975 to 51.6 per cent in 1998 (van Oorschot and Boos 2000; Pennings 2002a: 12). Furthermore, the consequences of the TBA were considerable harsher for younger claimants than for older claimants. Persons under 33 were permanently removed from the earnings-related WAO benefit programme and they could only claim the follow-up benefit (paid at a much lower level). Person over 33 had a right to earnings-related basic WAO, varying from six

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separate system to increase their efficiency (see more van der Stelt et al. 1996).

160 The REA (Stb. 1998, 290) particularly rewarded the employment efforts of elderly beneficiaries, disabled recipients older than 45 who accepted a job and therewith lose their benefit, could regain their old benefit, if they became disabled again within five years. Also was the ruling announced in 2003 beneficial to the older claimants as companies could be freed from paying premiums if hiring older employees. This did not affect the benefit rights but gave employers an incentive to hire older people. In the WWB Act (Stb. 2003, 375), the REA was abolished and the reintegration measures were incorporated in the new social assistance Act (see more section 4.2.3).

months to six years depending on the age of the claimant: again, the older the claimant, the longer they could claim the benefit.

Fundamentally also, the TBA linked the award of the WAO more strictly to a medical assessment. Prior to 1993, the degree of disability was determined by measuring an applicant's earning capacity, that is, the suitable commensurate work, expressed as a percentage of pre-disability earnings. The level of an insured person's earnings capacity was determined on the basis of suitable jobs. These were positions that the person in question, in view of their education and former profession, could reasonably be required to accept. Since 1st August 1993, the definition of suitable work was considerably widened and the insured were assessed on the basis of this new definition irrespective of their previous education or work experience. The much wider concept encompassed all generally accepted work, compatible with one's residual physical and mental capabilities. In other words, almost all jobs on the Dutch labour market could become eligible, including jobs at a (considerably) lower level than the person had done before. The new wider disability criterion made it much more difficult to be assessed as incapacitated for work. Van der Stelt and Smaal's (1997: 103) study showed that between 1991 and 1994, the percentage of claimants with full WAO benefits (that is with 80–100 % disability) decreased from 72 to 41 per cent. The same study also indicated that after the TBA (1993) claimants faced a greater chance of being assessed capable of work, rather than incapable: the percentage of claimants having an insufficient disability degree for WAO (below 15 per cent) increased from 14 to 40 per cent between 1991 and 1994. At the same time, the percentage of persons with partial disability (15–80 per cent) increased only a little, from 14 to 19 per cent.<sup>161</sup> In 1993, the TBA introduced a new re-assessment of WAO benefit recipients, only six years after the previous re-assessment. The re-assessment was this time made compulsory for a wider group: for all recipients under the age of 50. Beneficiaries aged under 45 went through the reassessment with stricter requirements than before. The new disability criterion and re-assessment were detrimental to a large number of WAO recipients' claims. The re-assessment led to 47 per cent of beneficiaries having their benefits either reduced or withdrawn (Pennings 2002: 13).<sup>162</sup>

TZ: Privatisation of the sick pay

During the 1990s, the sickness benefit programme was also gradually privatised. The third T-Law, the Act on Reducing Sickness Absence (TZ) shifted the responsibility to pay sick pay from the state to employers (Stb. 1993, 750). As of 1 January 1994,

161 Van der Stelt and Smaal (1997: 113) also argue that the intention of legislators to hinder the access of growing number of people with mental disabilities (by linking the eligibility tighter to medically determined disabilities) was not considered successful. On the contrary, it was more likely that people with emotional troubles were not assessed (fully disabled).

162 The income consequences of reform (either partial or total income loss) for older workers were partially alleviated through WBIA (Stb. 1996, 93), the Temporary Act on Limiting the Income Consequences of the Disability Criteria in 1996 (see more Appendix 2).

employers were obliged to pay the sick employee at least 70 per cent of their wages for the first six weeks of absence. After six weeks, the ZW took over the provision again. Although the number of ZW claimants fell from 345,000 in 1993 to 175,000 in 1994 (CTSV 1997), the Act did not significantly change the benefit rights of workers since employers (mainly due to collective agreements) commonly supplemented sick pay to 100 per cent of previous wage. The privatisation affected first and foremost employers, as they had to carry the financial responsibility for their sick workers. The guiding idea behind the privatisation was that the employers would be stimulated to prevent sickness absence (SZW 1992/1993: 17–18). To further support this, the Working Conditions Act (ARBO, Stb. 1993, 136), implemented in 1993, obliged employers to use the services of occupational health enterprises, which indirectly affected claimants' rights by introducing more obligations. Through the ARBO Act ill workers were obliged to participate in certain actions (planning, evaluation) with the ARBO-services. To generate further decreases in number of sickness claims, the employers' responsibility to pay wages to their ill employees was extended to 52 weeks by the Continued Payment of Salary (Sickness) Act of 1996 (WULBZ, Stb. 1996, 134).<sup>163</sup> The new law meant that ZW was in practise abolished for most workers: it remained available only for some strictly defined categories, such as pregnant women, formerly disabled workers, and persons with temporary contracts etc, amounting to an estimated 15 per cent of the population previously covered. Regardless of the profound change in benefit rules by the WULBZ, the consequences of the reform remained minor: absenteeism decreased by only 0.3 per cent to 4.6 per cent in the following year and there was no further decrease after that (SZW 1999: 60). As before, collective agreements often supplemented statutory payments (70 per cent of the wages) to the level of the previous full wage. Although the privatisation of sickness benefit did not lead to radical alterations to benefit rights, evaluation studies (van Oorschot and Boos 2000: 348) showed that chronically ill and disabled or partially disabled people experience greater difficulty in entering or re-entering jobs, because employers screen new employees' health status more stringently, and the chances of workers with poor health status being dismissed have increased.

To summarise, the T-Laws altered the eligibility and entitlement rules profoundly.<sup>164</sup> The TVA strengthened the activation of the disabled by obliging them, if they are able to work, to do so with the help of their employers. The TBA reform created a sharp break from a quarter century of wage-related disability benefit provision for unlimited duration. It made disability benefit less generous by lowering benefit entitlements (rate and duration) and made access more difficult by linking duration to the claimant's age, introducing a wider concept of acceptable work functions for the disabled which were used to calculate their earnings capacity, and implementing a re-assessment procedure for benefit recipients. Since the TZ and WULBZ, workers are generally no

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163 Also the Civil Code (Burgelijk Wetboek) gave the ill workers the legal right to 70 per cent of their wages for one year.

164 As a counterbalance for the radical reforms to disability provision in the 1990s, the Act of Medical Examinations, the WMK was implemented in 1997, strengthening the legal position of a job searcher and limiting the freedom of employers to select their employees in regards to health issues (Stb. 1997, 365).

longer eligible to a public sickness benefit, rather their employers pay their sick pay. The consequences of the TZ and WULBZ reforms were not of great significance for the rights of claimants, but they have increased profoundly the obligations on employers.<sup>165</sup> The T-Laws were followed by yet another central reform in the end of the 1990s, the abolition of the AAW programme.

#### Withdrawal of AAW: End of universalism

The AAW had been a particularly vital benefit for those long-term incapacitated who did not qualify for the WAO, such as the self-employed, students and people who had become disabled at a very early age or were so from birth. The consequences of the withdrawal of the AAW in 1997 were alleviated by incorporating some of its redistributive tasks into two new disability benefit programmes: the Incapacity Insurance for Self-employed Persons Act (WAZ, Stb. 1997, 176) and the Incapacity Provision for Young Disabled Persons Act (WAJONG, Stb. 1997, 177) of 1997. Although universal disability insurance was no longer available, the majority of the old AAW recipients (232,000 in 1997) belonged to the group of self-employed (48,000), or young disabled (107,000) (SZW 1999: 152, Table 11A). For them very little changed since they were covered by the new targeted programmes. According to the statistics (SZW 1999: 152, Table 11A) 3,000 recipients in 1997 belonged to the category of 'other claimants', including students and other disabled not qualifying for the workers' WAO. They (in many case housewives) were excluded from the disability programmes, and had to seek income compensation from time-limited unemployment benefit, means-tested social assistance, or other such programmes.

#### Stricter sanctions

The introduction of the unified sanction policy (BMTI) in 1996 was influential for benefit claimants, as already elaborated in the previous section (WW). Similar to WW, the BMTI introduced an obligation to sanction benefit recipients in the case of non co-operation or misconduct. The benefit administrator UWW had to impose a sanction, which could be a temporary or permanent refusal of benefit. Claimants were sanctioned if they (for instance) did not participate in the education or training offered, did not co-operate in re-assessments, or if they had not notified UWV of changed circumstances around benefit receipt (this was relevant to benefit entitlement) (see more e.g., Pennings 2003).

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165 The Act PEMBA in 1997 was also significant for the employers since it promoted employers' responsibility for prevention of disability and for reintegration of disabled workers (Stb. 1997, 175). The major changes under PEMBA were as follows. First, the WAO contributions were fully paid by employers. Secondly, there was a distinction made in the part of the contribution that the employer has to pay, based on the number of disabled persons the employers wasn't able to employ anymore. Thirdly, instead of paying the differentiated contribution, employers had the possibility of bearing the full costs of the WAO benefits for their employees during the first 5 years of their disablement, or to cover this by private insurances.

Reintegration in the 2000s: make work pay for those who can, pay benefit for those who can not

Even after the T-laws, pressures to re-structure the sickness and disability programmes remained great. After a slight decrease in the numbers of WAO recipients in the early 1990s, the number of WAO beneficiaries rose again from 697,000 in 1996 to 803,000 in 2002. Fundamental changes were introduced to suppress the flow of recipients to disability benefits. In the 2000s, the employers' responsibility for sick pay was extended to 104 weeks and the disability benefit programme distinguished more clearly between partial and full disability.

Extension of short-term sick pay to two years

As of 2003, the wage payment obligation for the employers was extended to 104 weeks (Stb. 2001, 567). The change not only increased the responsibilities of employers with respect to their employees, but it fundamentally altered the maximum duration of the short-term sickness payment of 52 weeks existing since 1930. The benefit levels remained the same (70 per cent) for the first year, which were commonly topped up to 100 per cent according to collective agreements. The government also put pressure on the social partners not to supplement the 70 per cent in the second year. The extension of the sickness benefit for another year had favourable consequences, as the level of sick pay was often higher than the equivalent WAO benefit.<sup>166</sup> This alteration was supported by the Law on improving the Gatekeeper (the WVP, Stb. 2001, 628) introduced in 2002, which was intended to get the workers back to work and to decrease the flow of ill workers to WAO. Employers were required to produce a reintegration report and to co-operate with the employee. The report defined what activities had to be undertaken during the first year of incapacity to work when the person applies for disability benefits. Many of the responsibilities and sanctions were directed towards employers, but non co-operative recipients can face a suspension of sick pay (for maximum 104 weeks).

Stricter access to workers insurances

The access to disability provision was considerably tightened in the 2000s. First, the programme for the self-employed (WAZ) was abolished in 2004 (Stb. 2004, 324). As of 1 July the self-employed have to rely on private insurance (although they are not obliged to take such insurance). The WAZ was a benefit purely at the level of minimum income, and many self-employed had already bought supplementary insurances. Therefore, the consequences of the reform were perhaps not profound in practice, but certainly in principle, since the reform limited the coverage of publicly provided

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<sup>166</sup> This was particularly favourable for the partially disabled since their sick pay was considerably higher than their WAO benefit. Additionally, between 2004–2005, WAO benefits were not indexed, which led to a slight reduction in their levels.

insurances. Second, yet another re-assessment for WAO recipients was introduced from 2004 (Stb. 2004, 433). For the third time since 1980s, the beneficiaries of WAO were re-assessed starting from October 2004 and every benefit recipient under 55 (in July 2004) was obliged to go through a re-assessment. Beneficiaries under 50 were assessed with stricter, new criteria. By the third quarter of 2005 already 21,233 recipients (without a chance to return to their former employer) had lost their WAO benefit, and for 8,633 persons the level of disability had been decreased causing a decrease in their benefit levels (Boot 2006: 95). Boot (2006) notes also that many of the recipients losing their WAO were previously assessed fully (80–100 per cent) disabled. Between January and the end of September 2005, from the 62,503 terminated benefit payments, 36,638 were for the fully disabled (Boot 2006: 98). Some, but not all of the reductions, were caused by the death of the recipient (the case for 6,095 claims) or retirement (which was 23,739).<sup>167</sup> Final conclusions with regard to this re-assessment cannot be drawn at the time of writing, since it is still in progress. However, the introduction of a new disability benefit programme WIA, as discussed next, has the potential to cause even more fundamental changes to recipients from 2006.

#### A new disability benefit programme: WIA

The WAO was closed for new claimants as of January 1st 2006 and a new Act on Work and Income according to work capacity (WIA) took over the insurance of long-term disability (Stb. 2005, 619). The WIA distinguishes clearly between permanent disability benefit (IVA) and compensation for the partially disabled (WGA). The IVA is for fully and enduringly incapacity with an at least 80 per cent loss of income (Regeling inkomensvoorziening volledig arbeidsongeschikten) and the WGA compensates the partially disabled with between 35 and 80 per cent loss of income (Regeling werkherhaving gedeeltelijk arbeidsongeschikten). Access to disability benefits was made more difficult for new claimants under WIA. The minimum degree of disability relevant to benefit entitlement was raised from 15 to 35 per cent: employees who are less than 35 per cent disabled remain as far as possible in the service of their current employer. The IVA is a benefit for fully and permanently disabled people. Persons are considered fully (and permanently) disabled only if they cannot work at all and there is no prospect that they will take up work. This includes, for instance, people in need of daily care (in hospital or at home) and those who can earn less than 20 per cent of their former wage. Since 2002, the waiting period for the WAO was extended from 52 to 104 weeks, but the IVA provides the benefit to be granted after 13 weeks if the employee is not expected to get better. The IVA is nevertheless a more generous benefit than the former (full) WAO: it gives an incapacitated worker with little or no chance of recovery a benefit

<sup>167</sup> Troubling research results (UWV 2005) indicate also that the reintegration measures applied to these re-assessed are working poorly or not at all: subsidies to employers do not help these people, as these people commonly no longer have an employer (due to the long-term WAO receipt). Opportunities for partially disabled person on the regular job market remain very limited: only ten per cent of the persons having followed the intensive reintegration measures in 2002 ended up with regular wage work (Boot 2006: 98).

amounting to 75 per cent of the last earned salary, which remains payable at that level providing the recipient satisfies the re-assessments, until pensionable age.

Claimants declared partially disabled (under 80 per cent disabled) or with a full disability (80 per cent or more) but who are not permanently disabled, are transferred under the WGA programme. WGA integrates disability benefit and unemployment benefit for the disabled (see also SER 2004). This is reflected in the benefit rules. For instance, to be eligible for the WGA the partially disabled are obliged to seek and accept suitable work, just as under the WW. First WGA beneficiaries receive an earnings-related benefit provided that they satisfy the same rules as for WW. The length of benefit depends on the satisfaction of these rules.<sup>168</sup> The level of earnings-related WGA equals to 70 per cent of the difference between the daily wage (a maximum €43,770 per year applies) and the wage that the partially disabled person earns from employment and is paid for between three and 38 months. The earnings-related benefit is followed by a (lower) follow-up benefit (WGA vervolguitering) or a (higher) supplement payment (loonaanvulling). In this second stage, the WGA makes a division between partially disabled who work and those who do not work. Persons having no income or an income for work amounting to less than 50 per cent of their remaining earnings-capacity, have a right to a follow-up benefit of 70 per cent of the minimum wage multiplied by their disability percentage. This can be a very low income. Persons working (and using more than 50 per cent of their earnings-capacity), get a supplement up to 70 per cent of the difference between last earned salary and the wage earned now. In this stage, persons who do not work (or who do minimal work) receive considerably lower benefits as they cannot supplement their WGA benefit with the WW.

To conclude, in comparison with the WAO, the WIA is a stricter programme. It distinguishes clearly between those who can and those who can not work. The fully and permanently disabled receive more generous benefits at an earlier stage and for longer. For them, the gap existing under the (earnings-related and follow-up) WAO has been removed. However, partially or temporarily fully disabled persons may witness a leap from 'a WAO gap to a WIA crater', as creatively remarked in the Dutch media. Treur (2005: 132–134) for instance showed that older claimants in particular and those who do not use their remaining earnings capacity can experience benefits up to 20 per cent lower than they would have received under the former WAO.

#### Conclusion of the Dutch sickness and disability benefit reforms

Changes in the 1980s generally lowered benefit levels for ill employees. Lowering benefit levels and linking the level of WAO to the degree of disability meant the end of the generous application of the programme for (the partially) disabled. However,

<sup>168</sup> Employers are encouraged to hire partially disabled employees, as they are freed from paying sick pay if the employee falls ill within 5 years (Stb. 2003, 557). Furthermore, employers can get reductions for their social insurance premiums (WW, WAO) if hiring/keeping a partially disabled person. The premium of WGA under WIA should also encourage employers, the more persons work, the lower is employer's premium in WGA (works also vice versa).

a more fundamental reform of the sickness and disability provisions did not take place until the 1990s. Then the main principles of the sickness and disability provisions were profoundly altered when employers had to take over the compensation of incapacitated workers and disability insurance was retained solely for the workers (and young disabled). Employers were obliged in many ways to take the responsibility to prevent and reduce sickness absenteeism, while beneficiaries faced more measures towards activation. Benefit rights have been linked more closely to medical assessment of incapacity for work. In the new millennium, more responsibilities to decrease sickness absenteeism were given to employers. Apparently the Dutch disease had not been tackled, as significant steps were taken to fundamentally alter disability benefit provision. The new long-term disability system recognises two provisions, insurance for the permanently and fully disabled and a compensation that supplements the loss of income due to partial disability. Next, the most relevant developments are summarised (Table 4.2, see p. 158) with regards to their consequences to the rights and conditions of sickness and disability beneficiaries

Throughout the years, the coverage of sickness and disability benefits has been limited to employees only. Sickness benefit is currently paid by employers, and very few categories, such as pregnant women, and people whose temporary work contracts expired, can receive ZW during illness. The termination of new claims to the AAW programme meant that disability benefits are only available for wage workers. The WAJONG for the young disabled remains the only programme that provides disability benefits (paid only at a minimum rate) without a requirement for claimants to have worked in the labour market. Another development around the coverage is that eligibility is more tightly linked to the medical determination of work incapacity. In other words, claimants must be incapacitated for work because of illness or injury. Although the benefits in question have always been payable with respect to illness, the tighter medical tests and considerably broader concept of suitable jobs, have made it more difficult to be assessed as incapable of work (or even partially incapable). Furthermore, three re-assessments rounds between 1987 and 2004 have meant that only those disabled whose health conditions have not improved can legitimate the continuation of their claim. Those who are considered able to work have been extensively guided back to the labour market, if not by their employer, then certainly by the administrative body or medical advisor.

Today WULBZ compensates more or less the full wage for the first year. For the second year, the levels are intended to be lower (at the maximum of 70 per cent of the wage), but they still continue to be paid at an earnings-related rate. Therefore, very little has changed for claimants' benefit rights. Although the level of WAO benefit has not been directly cut since the 1980s, numerous other policy measures, such as the suspension of indexation, linking the WAO benefit level strict to the degree of disability, linking of the WGA benefit level to claimants' work income, and repetitive re-assessments of WAO claims, have resulted in the reduction of benefit levels for many beneficiaries compared to the 1980s. The policy measures under former WAO, but also under the new WGA have also been less advantageous, in particular to younger claimants, since



**Table 4.2.** *Changes in benefits rights under sickness and disability benefits in the Netherlands.*

	The 1980s	The 1990s	The 2000s
<b>ELIGIBILITY</b>			
Scope of persons		<ul style="list-style-type: none"> <li>– Employer pays the sick time salary: only certain groups eligible to ZW</li> <li>– AAW closed for new recipients: WAZ and WAJONG introduced for self-employed and young handicapped</li> </ul>	<ul style="list-style-type: none"> <li>– Abolition of WAZ: self-employed must insure themselves voluntarily</li> <li>– Introduction of WIA distinguished between fully disabled and partially disabled (who still can/must work)</li> </ul>
Requirements	<ul style="list-style-type: none"> <li>– Recipients aged 18–35 re-assessed</li> </ul>	<ul style="list-style-type: none"> <li>– Disabled obligated to accept offered work if medically seen favourable for them</li> <li>– WAO receipt tighter linked to medical assessment: all generally acceptable jobs possible</li> <li>– Re-assessment of recipients between 18 and 50: persons aged 18–44 with stricter conditions than before</li> </ul>	<ul style="list-style-type: none"> <li>– Claimants of WAO must make reintegration dossier with the employer and ARBO services</li> <li>– Re-assessment for all under 55: with tighter criteria for those under 50 (not what you can no longer do, but what you still can do)</li> <li>– Waiting period extended to 104 for WIA (only 13 weeks for fully and durably incapacitated)</li> <li>– Minimum disability degree raised to 35%</li> </ul>
<b>ENTITLEMENTS</b>			
Level	<ul style="list-style-type: none"> <li>– No indexation 1982–1985</li> <li>– 6% cut</li> <li>– percentages lowered to 70</li> <li>– level of benefit linked to the extent of disability: no full benefits for partially disabled</li> </ul>	<ul style="list-style-type: none"> <li>– No indexation 1992–1994</li> <li>– The wage related WAO benefit age related and limited in duration</li> <li>– Persons under 33 removed from earnings-related WAO</li> <li>– follow up paid at lower rate WAO gap</li> </ul>	<ul style="list-style-type: none"> <li>– No indexation in 2004–2005</li> <li>– Long-term receipt leads to lower WGA benefit</li> <li>– IVA earnings-related benefit paid until retirement age</li> </ul>
Duration			<ul style="list-style-type: none"> <li>– The period employers must pay sick pay extended to 2 years</li> <li>– Duration of earnings-related WGA depends on persons work history</li> </ul>
<b>ADDITIONAL CONDITIONS</b>			
Obligations		<ul style="list-style-type: none"> <li>– Must actively cooperate with ARBO services</li> </ul>	<ul style="list-style-type: none"> <li>– Reintegration dossier</li> </ul>
Sanctions		<ul style="list-style-type: none"> <li>– Sanction increased for refusing a job offer</li> <li>– Sanctions if not co-operating with ARBO services</li> <li>– BMTI unified the sanction policy</li> </ul>	<ul style="list-style-type: none"> <li>– Not co-operating in the reintegration activities lead to sanction (max 104 weeks)</li> </ul>
Incentives for work	<ul style="list-style-type: none"> <li>– WAGW</li> </ul>	<ul style="list-style-type: none"> <li>– TVA</li> <li>– REA</li> </ul>	<ul style="list-style-type: none"> <li>– WGA paid always at higher rate if working</li> </ul>

the duration of the earnings-related benefit is linked to the claimants' age (or from 2008 their factual work history determined as for the WW), but age seems to play a diminishing role within the disability programmes. More important than the age of the claimant is the degree of disability. Dutch disability benefits have been altered to make a clear distinction between the fully and partially disabled. For persons permanently and fully disabled, the IVA pays higher benefits for significantly longer now.

The WGA benefit levels for the partially disabled have been linked to the beneficiaries' position in the labour market: the more the person works, the higher the amount payable. Under WGA people who work receive much higher benefits, compared to those who do not, whose compensation in the worst cases can remain at the minimum income level. One can argue that the average benefit levels today are slightly lower, but resemble those of the 1980s. However, it is important to point out that today the level depends greatly on personal circumstances (whether one is fully or partially disabled, working or not etc.), and therefore standardised figures tell very little about the developments in the Dutch sickness and disability programmes.

Last but certainly not least, disabled claimants face considerably more obligations (supported by sanctions). Employers have also faced more responsibilities throughout the years, but workers must do their part as well. Claimants must co-operate in reintegration planning and in some cases they must be actively seeking work. These work-related conditions are primarily directed to the partially disabled. Persons able to work are no longer considered as 'deserving' long-term assistance, rather they must earn their livelihood by working, which is then supplemented in regards to their disability.

#### *4.2.3 Reforming Dutch social assistance benefit programmes*

Description of the social assistance benefit system in 1980 and 2006

Under the General Social Assistance Act (*Algemene Bijstandswet*, Stb. 1963, 284, ABW from now on), general social assistance benefits guaranteed a statutory minimum income provision for people without sufficient means. The ABW was considered to be complementary, and supplemented other social security benefits (e.g. WW, WAO, and ZW) or income from work, if that remained under the social minimum. As described in Figure 4.7 (see p. 160), the ABW made a distinction between clients with and without an obligation to look for work.

The general ABW granted means-tested benefits to claimants with social or medical restrictions, for instance pensioners, the disabled or single parents with children under 12. Since for a number of categories special regulations were made as the basis of this law, the general ABW contained two types of benefits: a general benefit and special assistance. The general benefit was meant to cover the necessary costs of living.

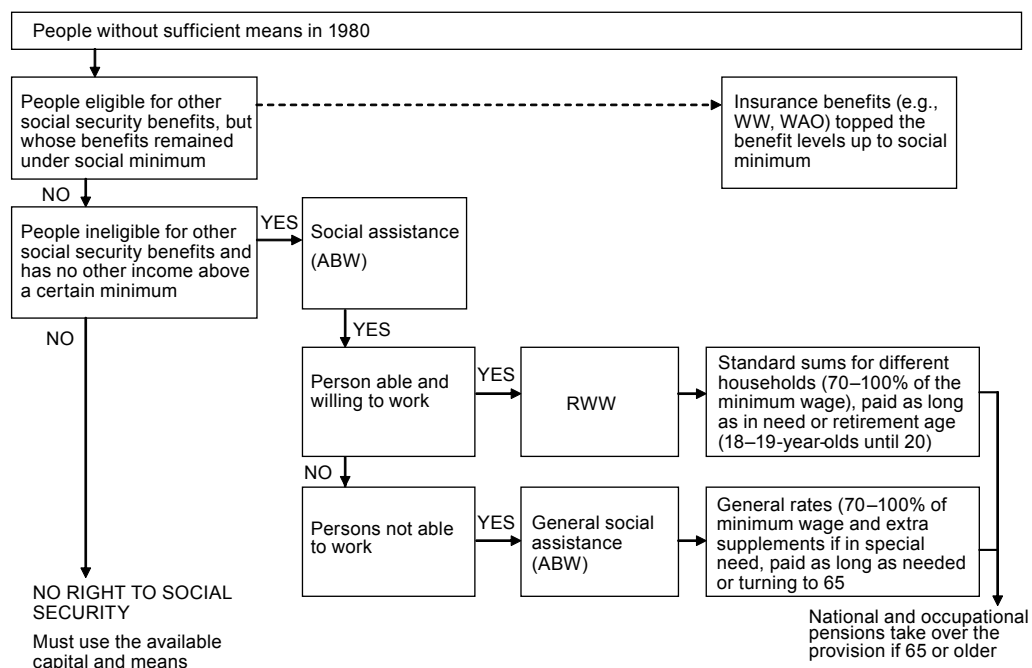


Figure 4.7. Route to Dutch social assistance programmes in 1980.

The special assistance (*bijzondere bijstand*) was payable for expenses which were considered exceptional, taking the individual circumstances of the claimant into account, such as medical expenses, or extraordinary expenses (breakdown of washing machine for instance). A special regulation based on ABW (*Rijksgroepsregeling werkloze werknemers*, Stb. 1964, 553, RWW) granted means-tested benefits with work obligations for unemployed persons aged 16–65 who were not covered by any other unemployment provision (or whose right had expired) and could not cover their costs of living. Although, claimants were not required to have a work history (as under WW and WWV programmes discussed earlier), they were expected to seek work or training and accept it if offered. All benefits under the ABW (including RWW) tested claimants' income as well as capital. For determining the right to and the level of the ABW benefits the household was the relevant unit: in 1980, the level for a married household was 100 per cent of net minimum wage, for lone parents with children and singles it was respectively 90 per cent and 70 percent of the net minimum wage.<sup>169</sup> (*Sociaal Memo* 1980: 50–60). Providing that claimants satisfied the means-test and other requirements, the duration of the ABW benefits was unlimited. Figure 4.8 describes the developments in the social assistance programmes between 1980 and 2006.

169 Gross minimum wage amounts (according to the age) were in 1 January 1980 as follows: 16 year old €394; 17 year old €456; 18 year old €518; 19 year old €580; 20 year old €642; 21 year old €704; 22 year old €767; and 23–64 year old €829 per month (*De kleine gids voor de Nederlandse sociale zekerheid* 1980: 79)

In 1986, two new benefits were introduced: the IOAW for older and partially incapacitated workers and the TW for supplementing insurance benefits (elaborated later). With the introduction of the new social assistance Act in 1995, the distinction of the claimants with and without work obligations was removed, and the RWW regulation was terminated. In 2004, the Abw was replaced with a new social assistance Act, WWB. The situation in 2006 is sketched out in Figure 4.9.

By 2006, social assistance had gone through considerable changes, but its nature as a last resort safety net has not been altered. Low insurance benefit levels can be topped up with the TW benefit and a separate benefit (IOAW) is available for the older population. Otherwise, social assistance benefit rules have been considerably tightened, as discussed in the next section, and claimants today face more activation measures and lower benefit levels.

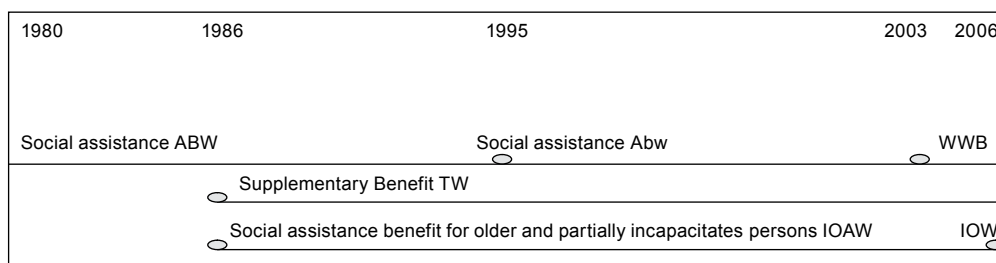


Figure 4.8. Chronological time-line of the changes in the Dutch social assistance programmes 1980–2006.

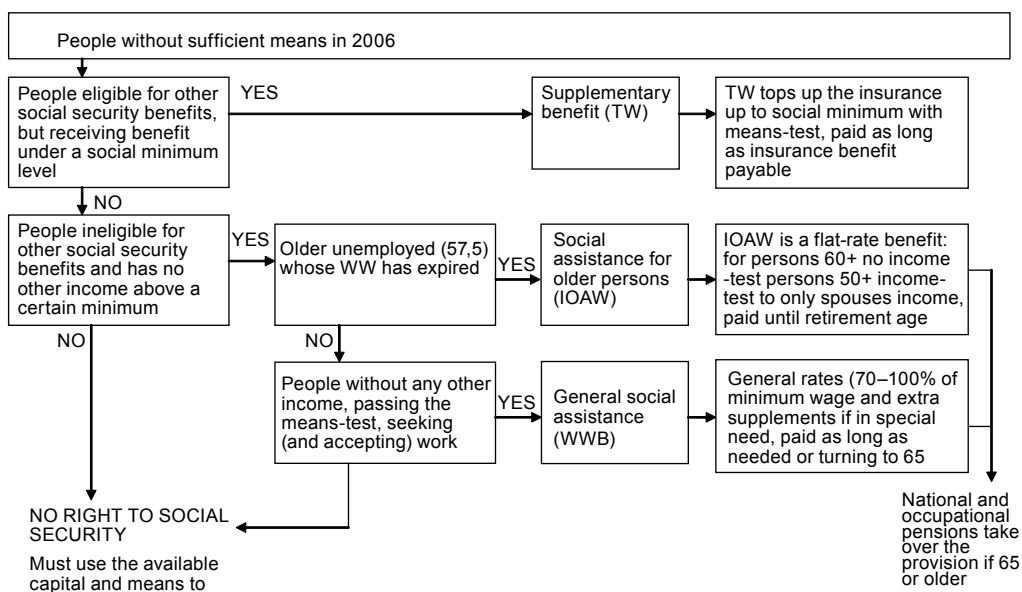


Figure 4.9. Route to Dutch social assistance programmes in 2006.

## Changes in social assistance benefit rules in the Netherlands, 1980–2006

The three distinct periods of restructuring between 1980 and 2006 were as follows: restructuring the minimum income protection around the ABW and stricter rules for the young in the 1980s, revision of Abw leading to increasing discretion and more stimulation to work in the 1990s, and more targeting and enhanced activation measures under the new social assistance programme in the 2000s. Next we analyse these changes.

## The 1980s: New minimum income protection programmes and stricter rules for the young

As discussed at great length in the previous sections, Dutch social security was significantly reconstructed in 1986. Although the ABW benefit programme was maintained at this stage, much was altered in 1986 around the Dutch minimum income provision. Unemployment provision was removed from social assistance to unemployment insurances and two new programmes (TW and IOAW) for minimum protection were enacted. Furthermore, the changes around the WW and WAO programmes strengthened the position of the ABW as the last-resort supplementary provision that is only accessed in when all other means have expired.

## The system revision of 1986: To secure the minimum income

Before viewing changes to the general ABW programme, we first review the introduction of the new minimum income programmes (IOAW and TW), which restructured considerably the Dutch social assistance provision at the time. The Law on Income for Older and Partially Incapacitated Unemployed Persons (Stb. 1986, 656), the IOAW, was introduced in 1986 to provide a minimum benefit provision for older workers. The IOAW (as well as the IOAZ, Stb. 1987, 281 the counterpart for the self-employed) was introduced to smoothen the consequences of the rigorous reforms to WAO (linking the level to disability degree) and WW (abolition of the WWV and limiting the duration of the WW) implemented in the same year. The IOAW was mainly directed at the older unemployed, whose maximum entitlement for WW had expired and whose chances of finding work before reaching pensionable age were small.<sup>170</sup> Under IOAW, the claimants' means were tested only for income but not for capital as with the ABW. The IOAW operated less strict conditions for its claimants: it disregarded a certain (small) amount of income and freed persons in remunerated working activities from the obligation to seek work.<sup>171</sup> Furthermore, the minimum level of benefit

170 However, the unemployed above 57.5 years of age could claim the IOAW after only six months on the WW. The IOAW was payable also to younger (50+) partially disabled people entitled to WAO, whose right to the WW had expired, and to persons entitled to WAJONG benefit based on less than 80 per cent incapacity for work.

171 At the time of the writing, the government has announced to replace the IOAW with a new IOW benefit programme. The IOW is planned to be a more stringent scheme, but as it still is under development, we will not discuss it.

underlying the WW and WAO programmes were abolished in 1986 and the Supplements Act (TW) took over the task of topping up very low benefit levels (WW, ZW, WAZ, WAO and WAJONG) to the social minimum level (Stb. 1986, 562). To receive TW, claimants must first be eligible to an (insurance) benefit under WW or disability programmes and their daily income must be under a specified minimum. The level of TW is related to the claimants' living situation as was under the ABW, but it only tested for claimants' and their partners' income (not for capital).<sup>172</sup> The TW excluded, however, certain categories such as single persons under 21 living with their parents; persons on unpaid leave (or persons married to a person on unpaid leave); people living abroad; and people whose benefit has been reduced due to sanctions. As of 1990, many younger couples were excluded from TW: married persons whose partners were born after 31 December 1971 had the right to TW only if they had a (own, adopted etc) child under 12 years in their household.<sup>173</sup> Persons excluded from TW who had benefit income under the social minimum could claim ABW with a tighter means-test.

Instead of fundamentally altering the ABW in the 1980s, the legislator settled for a few piecemeal amendments to general ABW during the 1980s.<sup>174</sup> First, between 1982 and 1985, as discussed earlier, the minimum wage and social security benefits were not indexed. As social assistance benefits were linked to the minimum wage, the benefit levels were not raised. Second, and more fundamentally, in the beginning of the 1980s the benefit rights of the young were restrained. Since 1981, school-leavers under the age of 21 could no longer claim ABW (or RWW) until one and half years after the day on which their education had ended (Stcrt 1981, 182). The change served as an incentive for young school-leavers to enter the labour market, but it was a harsh measure for those concerned. In 1982, benefit rights were made tighter again. The age limit of ABW was raised to 18 years, excluding those aged 16 and 17 who no longer had a right to ABW benefit (Stb. 1982, 750). 16 and 17 year olds still within the education system were unaffected as they could claim student grants. The full impact of the reform was felt by those outside the school system (although family benefit may relieve the impact).

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172 The TW distinguished between married persons, single parents, and single people. The amount of the supplement for married people was the difference between the minimum wage (or of the previous income, if lower) and the income. For the other categories, the amount is the difference between the applicable social minimum rates and the relevant income. The relevant income here is the income minus the disregard rules (for more a detailed description see e.g., Pennings 2002: 257–259).

173 The purpose of this rule was to gradually encourage all citizens to become financially independent (see e.g., Wielders 1995 for a more detailed analyses of the reform). The ruling applied only for the new generation (so-called 1990 generations, i.e. persons who become 18 in 1990) as it was considered that the ruling caused hardship for the older generations; many older married women did not work and for them it would not be easy to start working (Pennings 2002: 256; Noordam 2004a: 33).

174 Under the system revision of 1986, ABW was only modified in relation to gender equality, based on Third EC Directives. The Act implemented the equal treatment of married and unmarried couples as well as equal treatment of men and women. This brought about that couples living together (including homosexual couples, but excluding mother/child and sister/brother couples) must apply the benefit as a household reducing the total received by such households.

### Revision of the ABW in the 1990s: increasing discretions and stimulation to work

After widening the social assistance provision for some (older workers) and restricting it for others (the unemployed, the young) in the 1980s, a more extensive revision of social assistance took place in 1995. The old ABW was replaced by a new Act, the General Public Assistance Law, the Abw. The change introduced more discretion and more work-related conditions for the claimants.

New Social Assistance Act (Abw): Tighter discretion on benefit levels, stricter access and obligations to work

The new Abw (Stb. 1995, 199) tightened both eligibility and entitlement rules. First, the Abw generated lower benefit levels. Benefits were paid at three different rates (couples, singles and single parents) as before under ABW. The benefit level for couples remained at 100 per cent of the level of the minimum wage, but the entitlement for singles were reduced from 70 to 50 per cent of the minimum wage and for single parents from 90 to 70 per cent of the minimum wage respectively. Although the rates for singles and single parents were cut considerably, the consequences of this were less devastating, as claimants could apply for a 20 per cent supplement if they belonged to a category for which the local community decide that the basic norm was too low. By this alteration, the Abw accentuated more genuine need and discretion in granting benefits.

Again the young faced more constrains under the new law. First, the age limit was raised from 18 to 21, which meant that the three norms (couples, singles, and single parents) affected only persons aged 21 or older. People under 21 could receive Abw only in exceptional cases: being an orphan, having no contact with their parents, or having very poor parents, but even then the benefit was payable only at a much lower level (i.e. that of child allowance). Young people under 21 in need of financial support were transferred to the Youth Work Guarantee programmes (JWG 1991) or otherwise, their parents were expected to provide for them (TK 1989/1990;1990/1991a). The priority of work for the young was also nuanced in two other reforms under the Abw. The municipalities were given an option to pay 22-year-olds or younger a reduced basic Abw benefit, if they considered that the full benefit would cause a disincentive for the young person concerned regarding employment. Furthermore, newly graduated persons under the age of 27 received only a reduced Abw benefit for six months after the graduation, so that they would have enough incentives to seek work, rather than become dependent on Abw benefit. These decisions gave the benefit administrators much more authoritative power to encourage the young to enter the job market, by increasing their discretion under the social assistance provision.

Importantly, since the new Abw in 1995, its receipt has been made more conditional on claimants' willingness to work. Since then, every claimant must register at the employment office, seek work, and be available for suitable work. No distinction was made between those who must seek work and those not required to seek work, and the

special provision for the unemployed, RWW, was abolished.<sup>175</sup> However, two groups similar to those under the former ABW were exempted from (some of) the obligations. Older claimants over 57 and a half did not have to actively seek work, but they had to register at the employment office and accept work when offered. Furthermore, single parents with children under five were exempt from these duties.<sup>176</sup> Benefit administrators could also exempt individual claimants temporarily or permanently from the obligation to seek work, if there were medical or social reasons to support this. Together with the increased obligations, the new law made it more difficult to refuse a job offer, since the definition of suitable work was incorporated from the WW (1992, 1996). The perception of suitable work compelled Abw claimants to accept jobs below their education level and former job level. Stricter obligations also required claimants with a reasonable chance on the labour market to participate in designing and implementing an individual plan for (re)integration. Similar to WW, these obligations were backed up with sanctions if claimants did not co-operate. The unified sanction rules (in 1996) also obliged the benefit administrators to use them more efficiently for 'misbehaving' claimants of Abw, TW and IOAW. To put it briefly, the new Abw increased discretion in delivering benefits. It made the rates for single persons and single parents increasingly dependant on claimants' demonstrable need, restricted the benefit eligibility of the young, and made more instruments available for the administrators to encourage the beneficiaries to seek and accept work. The Abw no longer distinguished between persons who have to seek work and others (as the RWW had done), and it embedded many work-related conditions (be available for, seek, accept work) applicable to (in principle) all. Claimants were expected to be more active in terminating their benefit dependency.

#### The new millennium: Preference to work

The slogan (website of Ministry of Social Affairs and Employment, <http://www.szw.nl>, 24 August 2006) under the new social assistance benefit, the WWB introduced in 2004, was 'those who are not able to work should be given financial aid, but the others are to be provided help in finding work' resembles greatly the rhetoric of New Labour in the UK. In addition to more specific targeting of need, this preference for work has linked the claimants of social assistance closer to the job market.

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175 RWW had been amended to bring social assistance into line with the flexible labour market and the Wassenaar agreement during the 1980s. Previously, the eligibility to the RWW required that the claimants were available full-time. In 1984, claimants were required to be available for at least 20 hours a week, but a preference to work less hours lowered persons' entitlements. Claimants who were only willing to work part-time, and whose social, medical, or other reasons did not constitute a ground against accepting full-time work, would see their benefit rate reduced proportionally to person's availability.

176 The Act tightened the rules, as previously under ABW single parents with children under 12 were exempted from this responsibility.



### New social assistance programme, the WWB

The Abw was abolished in 2003, and as of 1 January 2004 a new Act on Work and Assistance (*Wet Werk en Bijstand*, WWB, Stb. 2003, 375) was introduced. The implementation of social assistance remained with the municipalities, but the central government ended up paying – eventually – the costs. However, as the WWB allocated lump sums to the municipalities, they were directly encouraged to reduce the number of recipients. The WWB was also a fundamental change in that it integrated income and activation functions: in the Abw the emphasis was on benefit provision, whereas activation was mainly dealt by the municipalities in the form of various programmes (e.g. I/D jobs, WIW, see also the section of WW reforms). The WWB abolished most of these programmes and integrated this function with social assistance provision (see e.g., Noordam 2004b: 339). Within the frame of reintegration bye-laws, the WWB gives municipalities freedom to shape their integration policy and development of reintegration tools to encourage the outflow from the social assistance programmes.<sup>177</sup> The new WWB thus included regulations to enhance activation, but by lowering entitlements it also aimed at encouraging people to work.

### Encouragement to work

Under the WWB, the administrators were granted further instruments to encourage the employment of beneficiaries. Claimants faced considerable difficulties if they wished to refuse a job opportunity. Generally accepted work included nearly all work available in the Netherlands, excluding indecent employment such as prostitution. Furthermore, everybody under the retirement age must now search for work. No groups (such as elderly persons over 57.5 and single parents with child/children under age of five) are exempted. Only strictly defined individual cases can be temporarily freed from this requirement for ‘pressing reasons’. Child-care reasons were no longer pressing reasons, as these tasks were expected to be dealt by childcare facilities. Taking that 55 per cent of the WWB recipients are women and 80 per cent of the WWB recipients are single or single parents, this enhancement to work has had wide-ranging consequences for women (Noordam 2004a: 341). People able to work, must do so. At the time of writing (2007), the cabinet introduced a plan for re-entry jobs for long-term WWB recipients that would enable them, for a maximum of two years, to improve their skills and employability through these re-entry jobs while receiving WWB.

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<sup>177</sup> The municipalities are in principle not responsible for unemployment benefit recipients. However, the municipalities can negotiate with the UWV for contributing this.

### Increased discretion

The WWB introduced yet again more discretion to the delivery of social assistance. The special assistance (*Bijzondere Bijstand*) and any other extra supplements were abolished and only the general benefit was preserved. Municipalities can still grant individual benefits for people in exceptional need, but no supplements are available for recipients to claim automatically. The receipt of extra support was thus solely dependent on the discretion of the benefit officer. Furthermore, as local authorities are subjected to budgetary constraints, it has become more difficult to access any supplements. The levels were raised under WWB to one group, when the long-term supplement was introduced for long-term recipients.<sup>178</sup> The long-term supplement is a benefit for people aged 23–65 who have been on social assistance for an uninterrupted period of 60 months and have had no capital during this period.<sup>179</sup> Claimants must show personal effort during those 60 months, for instance, they must show that they have actively searched for a job. The long-term supplement is paid for one year.<sup>180</sup> Together with the benefit, sanctions were introduced: the long-term benefit can be reduced if the claimant does not follow the rules.

To sum up, the WWB has underlined its position as a last resort income, with very strict requirements. More discretion is attached in granting additional allowances and long-term supplement has been introduced for the long-term recipients, both of which made the WWB more targeted. Furthermore, the WWB is now available only for those who are otherwise declared ‘non-placeable’ in work by benefit administrators.<sup>181</sup> At the same time, WWB aims at encouraging as many claimants as possible back to work and recipients are obliged to actively seek work.

### Conclusion of the Dutch social assistance benefit reforms

The last 26 years of policy change have brought social assistance closer to its roots: to provide a necessary social minimum for those who cannot provide for themselves. The expansion of social security in the 1960s and 1970s made it a little easier to access social assistance, and since the economic turmoil in the 1980s the ABW has been reformed to be less inclusive again and to cover only those with no other income. In

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178 The need for this type of benefit had occurred several times in the poverty discussion during the 1990s and some municipalities had already implemented such a provision (Noordam 2004b: 362).

179 An exemption was made for those with full incapacity entitled to a disability benefit (WAO, WAZ, and WAJONG). Those fully incapacitated have the right to a long-term supplement even with some capital while they do not have any labour market obligations.

180 The long-term supplement was paid (January 2006) at rate of €473 for couples, €425 for single parents, and €331 for singles (SZW website 7 November 2006).

181 A study (Post and Bakker 2000) on social assistance clientele reveals that the recipients often have low level of education, they are almost illiterate, and have physical and/or mental conditions. Strict conditions to seek and accept work are perhaps not feasible for such groups, but they certainly accentuate the government’s policy on emphasising work above income.

the 1980s, the access was already more difficult for some (e.g. the young), but more importantly the decade focused on restructuring the (minimum) income protection around the ABW. In the 1990s, the Abw came finally under structural revision: social assistance was made more discretionary, harder to access, and embed with more activation measures. In the 2000s, the social assistance programme was again revised. These changes led to a benefit programme that is more targeted to those with real need. The real need of financial aid is however not enough, rather the reintegration of the claimants has become one of the leading objectives of contemporary social assistance in the Netherlands. Table 4.3 sums up the major changes implemented to Dutch social assistance benefit rules.

**Table 4.3.** *Changes in benefit rights under social assistance in the Netherlands.*

	The 1980s	The 1990s	The 2000s
<b>ELIGIBILITY</b>			
Scope of persons	– Age limit from 16 to 18	– Age limit raised to 21 – Right linked to permit to stay – Benefit export within EU (TW)	– Partially disabled no longer eligible to IOAW (but to WIA)
Requirements	– 1.5 years waiting period for school-leavers under 21	– Everybody must seek work, exemption for elderly and single parents – Category of suitable jobs widened	– Generally accepted work – Everybody must seek work (exemption made only for individual cases)
<b>ENTITLEMENTS</b>			
Level	– No indexation 1982–1986 – IOAW for elderly with no capital test – TW filled the benefits for some (and no capital test)	– No indexation 1992–1994 – Cuts in singles and lone parents benefit norms (discretionary supplement available) – Reduced benefit for claimants aged 21–22 and to newly graduates under 27	– No indexation 2004–2005 – Special assistance and Supplements abolished (extras payable for only by discretionary bases) – Long-term supplements gave higher benefits but with tight conditions
Duration			
<b>ADDITIONAL CONDITIONS</b>			
Obligations	– Under RWW activation	– Co-operation to job search plans	
Sanctions		– BMTI with stricter sanction	– Sanctions applied to long-term supplement
Incentives for work		– Sanctions if not seeking work, co-operating in work search	– Activation programmes integrated to WWB – Re-entry jobs

The scope of persons eligible has been altered several times during our research period, but very few fundamental reforms have been implemented. The most consequential changes have affected the eligibility of the young. Gradually by the end of 1990s, those under 21 have been excluded. They either have to participate in activation programmes (first under JWG, and later under other programmes) or to accept financial help from their parents, but they can be granted social assistance in only a very few exceptional cases. In addition, school-leavers are no longer granted social assistance immediately in order to stimulate them to find work rather than become dependent on benefits. Since the removal of RWW, the 'real unemployed' have been expected to make a claim to WW rather than social assistance. Work-relatedness has, however, not evaporated from the social assistance programme. Quite on the contrary, since the 1990s eligibility requirements are based on conditions for claimants and recipients to be available, seek and accept work. Vulnerable groups (older people, single parents with young children) were previously exempted from these conditions, but today everybody has to meet the work-related requirements in order to qualify for benefit.

As the level of social assistance is intended only to cover the necessary costs of living, and not to provide income maintenance in the sense of social insurance, very radical reductions to benefit levels are usually very difficult to implement. This was true for the Netherlands, since only one radical cut was implemented during this period of 26 years. Singles and single parents' entitlements were cut in the mid 1990s, but even this reduction was alleviated with the possibility that the benefit administrators could restore the loss, if they perceived that the claimant was in need of a higher benefit. Yet, the level of social assistance has decreased. This is due to the suspension of statutory indexation. As discussed earlier in the section on WW and WIA, social security benefits and the minimum wage were not indexed in the early 1980s, in the 1990s, and in the 2000s. The consequences of this for insurance benefits were commonly alleviated through collective labour agreements, but the cuts hit those hard whose benefits rates were linked to minimum wages, that is, the recipients of social assistance benefits. Furthermore, increasing discretion means that benefits can be either raised or lowered, depending on the benefit administrators' judgement. For the young, this increased discretion has brought generally unfavourable consequences. According to the reform in the mid 1990s, young claimants (up to 21) and school-leavers benefit can be reduced in order to encourage them to find employment or to return to school. The opposite example of this discretion is the long-term supplement for long-term recipients. If a benefit administrator observes that the claimant has put enough effort into activation measures a higher benefit can be granted. These changes are also examples of stricter targeting within the Dutch programme to those in real need. Additionally, the new benefits implemented for older people (IOAW) are an example of targeting. Our research shows that during the research period, social assistance has indeed been more targeted on people in real need and benefit levels greatly dependent on the discretion of the benefit administrators. Increased targeting and discretion lead also to stricter (behavioural) conditions for the claimants. This leads to our last point, the additional conditions. Social assistance rules are today filled with work-related behavioural obligations. All recipients (including older claimants) are obliged to seek

work and accept work. Paying a lower or no benefit at all to the young is deemed to encourage them to work. Since the WWB, activation measures have been integrated into social assistance programmes, which have enhanced the obligations to work, if possible. Sanction support this, as misbehaviour once again leads to reduction or even withdrawal of the benefit.

#### 4.3 Reforming social security policy in the Netherlands: Conclusions and prospects

The last two and half decades have witnessed a reconstruction of the Dutch social security programmes. In this section, we summarise the main findings. Generally speaking, access has been made stricter, rights, although reasonably preserved, have become slightly less generous, and more work-related conditions have been attached to benefit receipt. During the 1980s, the reforms first and foremost aimed at lowering the costs of social security. Furthermore, a comprehensive reform of the social security programmes, including unemployment and disability benefits and means-tested assistance, was implemented, leading to less generous benefit programmes. Measures adopted in the 1990s aimed at cutting social expenditure, but they strongly reflected the intention to structurally reconstruct social security provision and to limit access to the benefit programmes. Consequently, sickness benefit was privatised, rules under disability and unemployment programmes were considerably tightened and the reintegration of the recipients back to work was started. The reforms in the 2000s to unemployment and social assistance programmes as well as the introduction of new disability benefit (WIA) have profoundly reinforced the activation of the benefit recipients to return to work. But what happened to the rules concerning eligibility, entitlement and additional conditions under the Dutch programmes observed in the study?

Our empirical findings indicate that a right to social security provision in the Netherlands is tightly bound to work. Most clearly this pattern of change is visible under the unemployment benefit programme. Throughout the years, access to WW became increasingly dependent on a (longer) work history. The right to WW has also been linked more tightly to an individual's effort in finding and accepting work. The greatest compulsion to (re)enter the labour market has been directed towards the young, but older workers also faced more (work-related) conditions than they did before, and lost their right to early retirement under the WW programme. With regards to sickness and disability benefit, a link to work and the claimants' past work record also exists, but more weakly than for unemployment benefit. Sickness and disability benefit are available only for workers, but there is a work history requirement set also for claimants of WGA, the new partial disability benefit. However, claimants face more obligations such as intensive activation procedures including interviews, medical check ups and reintegration plans all intended to bring about a quick return of those who are still able work. Work is the key for accessing social assistance today. Although claimants of WWB generally include only those not eligible to WW or WIA and has no work

history requirement, its eligibility postulates that persons are seeking and accepting work, and can prove their commitment to end welfare dependency.

Our findings from the three Dutch social security programmes also indicate that claimants have witnessed some changes in their benefit entitlements. The levels of insurance benefits (WW and WIA) have been reduced slightly, and the earnings-related percentages have been reduced by five to ten per cent from what they were in their hey day in 1949. Since the insurance benefits continue to be related to past earnings, the temporary suspension of indexation has had a more modest effect on their benefit levels as opposed to flat-rate benefits (such as the WWB levels). However, what lowers the generosity of the insurance benefits considerably have been the cuts in benefit durations for both jobseekers and partially disabled. Reducing the maximum period of insurance benefits fits in with the government's plans to make the WW and WGA a temporary provision, but at the same time, this can lead to jobseekers and the partially disabled more quickly to lower paid social assistance. The stricter requirements of work history together with a shorter duration mean that fewer people qualify for generous insurance benefits, and more persons fall under less favourable benefit regimes, for instance WWB, or outside social security protection. With regard to WIA, disabled people claiming IVA can be considered fortunate in the sense that their benefit rights have been improved recently (particularly the duration). However, the requirement that claimants for IVA must be fully and permanently disabled, makes this generous benefit programme only attainable for a very small group of (less fortunate) workers. Other disabled workers (the majority of the labour force) have faced greater difficulties accessing benefits (stricter medical assessments, wider definition of suitable work etc.) and their benefit levels largely depend on whether they use their remaining earnings-capacity. Apropos, the social insurance programmes investigated in our analysis thus show that they play a significant role in compensating the loss of earnings generously for some key categories (people with a long reciprocal work history and the medically verified, fully and permanently ill persons). For others (people with less established ties to the labour market and the partially and temporarily disabled) insurance programmes play a less important role in earnings-replacement, at least for a much shorter time. Furthermore, as the level depends on claimant's age, degree of disability, work history, or willingness to use remaining work capabilities etc., each personal situation increasingly determines the paid amount. Personal circumstances have also become increasingly important in the establishment of social assistance benefit levels. The facts that social assistance benefits are based on more discretion and that benefit administrators are subjected to budgetary limits may turn out positive or negative for claimants depending on the city they live in (whether there is enough money, or more likely too little of it), or on the person who is granting their benefit (whether the claimants can convince the benefit administrator of their exceptional need or not). It is therefore up to the claimants' circumstances how high their total entitlement will be.

What becomes clear from our analysis of the changes to benefit programmes is that the right to cash transfers has been closely tied to claimants' own action, either their behavioural action (willingness to co-operate with authority in question) or their concrete action (participating in activation measures, interviews, going through medical check ups etc.). For WW the obligations are generally related to work: being available for it, looking for it, accepting it, or trying to become more easily employable (by attending courses, taking up subsidised jobs). In most respects, the same applies also for social assistance benefits. In the case of disability benefits, the Dutch partial disabled today do not differ much from jobseekers, as the work-related obligations applies equally for them. Only the fully and permanently disabled can today claim benefits with less activation measures, obligations, incentives, and sanctions related to work. To meet the expectation of the labour market, the programmes providing for short-time illness have also been transformed to prevent the alienation of workers from work and to encourage their quick re-integration. Ill workers have met a wide range of measures, from doctor appointments, assessments to adaptations on the work place, which aim at preventing that person falling out of the regular labour market.

What do these changes mean? Based on our result, we would argue that the analysed changes do not support a radical shift of principle as also claimed by Clasen and van Oorschot (2002). The insurance logic existed at the beginning of our time period, and still is the leading principle under the Dutch programme discussed here (excluding social assistance); for instance, stricter limitations of the scope of persons to include only waged workers and the increased importance of work history, have strengthened the position of work-relatedness in the social security programmes.<sup>182</sup> However, regardless of the survival of generous insurance programme for unemployment and disability, a smaller group of the population is included in these generous programmes, and more people have to settle for a much shorter period on insurance, or lower benefits, or in the worst case, make a claim to social assistance, which they are eligible to only if their means remain low enough. These common patterns of change, *increased targeting and stricter access* apply to all the programmes observed here. We observe also the *reduction of generosity of the benefits*. Rates have been cut. In particular, cuts in duration and linking the right to past work history or disability degree have cut the entitlements for many claimants in the last two decades. Most cuts have affected jobseekers with short work histories and the partially disabled. Social assistance rates have been made more discretionary, making these benefit levels depend more profoundly on the claimants' personal situation. We observe also profound *activation* of the benefit recipients. Again most compulsion for this has been placed on to the jobseekers and partially disabled. The growing number of obligations to seek and accept work and sanctions related to obligations on the one hand, and positive incentives to work on the other hand have strengthened the element of activation in the Dutch programmes.

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182 The abolition of AAW indeed was principally perhaps an attack towards the universalism, but as we discussed in the text, most former claimants were covered by other disability schemes. We must point out here however, that the choice of workers insurance scheme as WW and WIA does not allow us to make fundamental conclusions considering universalism. For this purposes we should have included national insurances, for instance the national old age pension or family allowance, in our analysis.

Making the new WW only a temporary bridge between two jobs and linking the level of WGA to whether the person is working or not, sets an example that the person should work rather than remain dependent on social security.<sup>183</sup>

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183 Dutch experts (van Oorschot 1998) have reported a shift from collective responsibility to individual responsibility. Although this level of observation (employer related reforms) was not taken in this research, we witness indeed a shift from the collective public responsibility to privatised individual responsibility. The privatisation of the workers sickness benefit has been the sole change so far (and it did not change much for the recipients rights), but the recent debate on future prospects (introduction an individual savings plan to cover short term unemployment, or the newest proposal of the social partners to privatise the unemployment similar to the WULBZ) might be signs that the public responsibility is indeed decreasing and the individual responsibility is growing when it comes to social security provision in the Netherlands. Another recent example is the introduction of individual savings plans for early retirement, not included in our analysis, but supporting our statement that in the Netherlands there seems to be a tendency or at least a potentiality towards a further privatisation or other developments, that can replace at least some of the responsibility of the public provision.



## 5 RESTRUCTURING SOCIAL SECURITY IN FINLAND

The last country analysed in our study is Finland. In comparison to the other Nordic countries, it was not until reasonably late (in the early 1980s) that Finland had institutionalised a welfare state (with a comprehensive and residence-based cash transfer and social service system) comparable with the other countries in the Social democratic cluster (Esping-Andersen 1990). Only two decades later, many Finnish authors have reported that the 1990s recession led to an ideological shift from the Nordic model.<sup>184</sup> For instance, Kosonen (1998) and Julkunen (2001; 2006) claim that Finland has departed from a normative Nordic legacy and that changes in social protection reflect a step away from promoting social rights, equality, and public responsibility. Finnish scholars are less unanimous concerning with the direction of change. Whereas some authors indicate a shift towards more liberal policies (Lehtonen et al. 2001), others see an increase in conservative characteristics (Anttonen and Sipilä 2000). Very little comparative research includes Finland, but comparative researchers (Carroll 2003; Timonen 2003; Hiilamo 2004; Kuivalainen 2004) commonly conclude that few dramatic changes have occurred. For instance, Timonen (2003) claims that changes in Finnish social policy in the 1990s did not constitute a systematic change, but she proposes that Finnish social security still displays the essential characteristics of Nordic welfare states. Changes in social security provision introduced cuts to benefit entitlements (Kosunen 1997b; Honkanen 2006b), stricter benefit conditions (Kuivalainen 2004), and increased activation (Hvinden; Heikkilä and Kankare 2001; Kautto 2004). We argue in this chapter that the Finnish programmes have not been fundamentally altered, but at the same time, we see that the system of cash transfers which were equal for all has lost its importance. This chapter examines what has happened to the unemployment, sickness and disability, and social assistance benefit programmes in Finland. As in the other empirical chapters, we analyse whether the changes in benefit rules follow similar trends across different programmes. The chapter is structured as follows. First, we address historical developments than we describe the changes implemented between 1980 and 2006, and finally we draw conclusions on the changes to social security rights and conditions in Finland.

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184 Based on the issue of language (discussed in Chapter 2) much of the research made on Finnish welfare state change is done by Finnish scholars. The Finnish research tradition classically concentrates on viewing the social risks themselves as a research object, such as unemployment or unemployed people (Ervasti 2003; Hytti 2003), disability (disabled) (Suikkanen 1992) and the poor (Satka 1995; Ruotsalainen 1999), well-being (Lindholm 2001), or policy outcomes (Kangas and Ritakallio 1999) rather than policies covering them. Very few academic publications view social policy reforms and most of them are Governmental studies, e.g. of the consequences of implementation of a new act or measure or national developments in the provision (Aho and Vehviläinen 1997; Aho et al. 2000; STM 2000; Karjalainen; Hiilamo and Raivio 2003; Hiilamo et al. 2004).

## 5.1 The historical developments of the Finnish reforms

### 5.1.1 *Towards Nordic welfare states, 1950–1980*

The expansion of the Finnish welfare state took place reasonably late (as of the 1960s) (see e.g., Niemelä 2004; Alestalo 2000) in comparison with other European countries, where a wide range of social insurance programmes were already in place by the 1900s (see e.g. Kangas 2003 for differences in timing of social insurance).<sup>185</sup> This delay in social reform was caused by historical, political and structural reasons. Although Finland was the first country in Europe to grant universal suffrage to its citizens in 1906, the country was an autonomous Grand Duchy under the Russian Empire until the end of 1917, which limited its freedom for implementing social innovations.<sup>186</sup> A few months after its declaration of independence, Finland experienced a brief but bitter Civil War (1918) that coloured domestic politics for many years. It was not until 1937 that the first steps towards welfare state provision were taken by introducing the National Old-age Pension Act (see e.g., Louhelainen 1988). After World War II, welfare state provision was gradually expanded. However, unlike the UK, the creation of the Finnish welfare state was less strongly influenced by the Beveridge Report (Niemelä and Salminen 2002: 58). Whereas the Beveridge report proposed social security for all, the Finnish government saw it as more important to provide a piece of land to everybody.<sup>187</sup> The slow start of social reform had to do with a difficult past, but was also due to the fact that on the top of the post-war political agenda were the paybacks of the war indemnity to Russia, help for widows and orphans, and different housing projects for those returning from the war. Due to scarce financial resources and political difficulties, the development of social security remained mainly at the level of rhetoric and it was not until the liberation of foreign trade in 1955 that a rapid modernization process started.<sup>188</sup> During this time of economic growth and prosperity many of the plans were embedded into concrete social policy innovations: the National Pension Act (347/1956) quaranteeing an universal pension was implemented, followed by the Welfare Assistance Act (Huoltoapulaki 116/1956), the Employment Pension Act (Työeläkelaki 395/1961), the Sickness Insurance Act (Sairausvakuutuslaki

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185 Already in 1895 an Industrial Accident scheme had been introduced in Finland to cover workmen's compensation, which was about the same time as such schemes were implemented in other European countries (Kangas 2000). Nevertheless, after the Act it took more than 40 years before other insurance benefits were implemented in Finland.

186 Finland was a third country in the world (after New Zealand and Australia) to grant universal suffrage to its citizens, and was the first country to make every citizen eligible to run for parliament in 1906.

187 After World War II, the government resettled refugees displaced from areas occupied by the Soviet Union (Carelia) and war veterans according to the Land Acquisition Act of 1945. Such resettlement policies providing a piece of land constituted a large part of the Post-war social policy. (Crommelynck, Kola and Swinnen 1998.)

188 After the Second World War, Finland lay in the grey zone between the western countries and the Soviet Union. The peace treaties (1947 and 1948) between Finland and the Soviet Union had stipulated that Finland would surrender some of its territory (Carelia), that it would not join NATO and that Finland would have friendly relations with the Soviet Union. Regardless of the difficult political situation, Finland signed a free trade agreement and joined EFTA (European Free Trade Association) as an associate member in 1961 (however, the Soviet Union's negative attitude toward Western organizations blocked Finland from immediately becoming a full member of EFTA). This accelerated economic growth in Finland. The bilateral trade arrangements with the Soviet Union were very beneficial to Finnish economy. When the Soviet Union fell in 1991, bilateral trade disappeared overnight, and Finland was consequently hit by a severe recession (discussed in section 5.1.3).

364/1963), and the National Unemployment Benefit Act (Työllisyyslaki 946/1971), which gradually created the basis of the national social security systems.<sup>189</sup> During this period of nearly thirty years of rapid economic growth and industrialization, the Finnish welfare state expanded almost uninterruptedly. Little by little, Finland reached the other Scandinavian countries and by the beginning of 1980 the Finnish welfare state had reached the other Nordic countries in its comprehensiveness (See more, e.g., Stephens 1996; Alestalo 2000; Anttonen and Sipilä 2000). At this stage, the Finnish programmes generated rather low benefits, but during the expansion of provision in the 1980s, this was improved.

### 5.1.2 Expansion of the 1980s

The oil crisis in the 1970s did not affect Finland as severely as it did many other European countries: on the contrary, unemployment was under four per cent by the end of the 1970s, which was historically very low (Tilastokeskus 2006). Minor amendments were made to the social security programmes (see also Marklund 1988) but the favourable economic circumstances enabled the expansion of social security arrangements throughout the 1980s. Under the term of Prime Minister Koivisto (Social Democratic party 1979–1982), the national old age pension system was made universal, guaranteeing basis security for all (elderly) citizens.<sup>190</sup> Rights under sickness insurance and work injury programmes were also improved in 1982 (Karisto and Takala 1990: 190). Expanding politics were continued by the next government, led by Prime Minister Sorsa (1983–1987) and the Social Democratic party. The Sorsa administration implemented, for instance, new pension arrangements to increase flexibility for retirement, new social assistance and unemployment benefit programmes in the mid 1980s.<sup>191</sup> The last pre-recession government, Holkeri's cabinet (coalition of Social Democrats and Conservatives 1987–1991) introduced a programme, which was, following the words of Saari (2001: 139), 'a pride and joy suitable for Santa Claus' country': it promised (and actually also implemented) wide-ranging benefits, including investments in employment policies, research, housing, as well as transfers for families with children and the services for the elderly'. This expansion was reflected also in the costs of welfare as social spending as a share of GDP increased from 19.3 per cent in 1980 to 25.1 per cent in 1990 (Stakes website, Table 6).

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189 The flat-rate universal National Pension (with an universal basic amount and a means-tested additional amount) was later in the 1960s supplemented with other (means-tested components). For more, see section 5.2.2.

190 It was this reform in particular that has been said to have brought Finland into the group of Nordic welfare states (Kangas 1994a).

191 At the same time, the politics pave the way for internal rationalization of systems in social policy planning in the early 1980s. This was particularly reflected in the VALTAVA reform in the beginning of 1984, which combined the activities of social and health care and gave the municipalities a more equal position in terms of the development of social welfare (Hellsten 1993). The VALTAVA reform was predicted to open the road for privatization and marketisation of social and health care, because the legislation now gave an opportunity to purchase services from the private market, nevertheless more significant steps towards privatisation were not taken until the 1990s. In practice, the reform has had divergent effects; some services have been bought from the markets, but generally, funding and controlling have remained strictly under the public administration. (Karisto and Takala 1990: 198.)

### 5.1.3 *The recession, 1991–1997*

When total production started to decrease at the start of 1990, the Holkeri government was forced to recognise that production fell faster than predicted and unemployment increased rapidly: in only one year the number of Basic Unemployment Benefit beneficiaries more than doubled from 50,827 in 1990 to 126,642 by the end of 1991 (Kela 1992: 191, Table 110). The recession in Finland (1991–1995) was caused by several factors which happened simultaneously, each of which on its own would only have led to a small decline in the economy (see e.g., Saari 2001). The international recession started at the same time resulted in a low international price of paper, a factor that traditionally affects the Finnish economy adversely. Moreover, the over-valued currency (Markka) decreased export demand. Rather unexpected, the sudden upheaval in the former USSR resulted in Finland losing a market, which had accounted for as much as 20 per cent of Finnish exports. However, because the recession was expected to be only temporary, the Holkeri government decided to implement the plans which had been developed in a favourable economic situation. In the early 1990s the government improved, for example, income security for families with children, the comprehensiveness and consistency of national old age pension benefits, and the study grant programme. However, in March 1991, the leading officials of the Ministry of Finance (VM:n virkamiesjohdon ... 1991) declared that the expenditures should be controlled by, among other things, intervening in the areas of social security benefits and employment legislation, and by decreasing the number of people employed by national and municipal services (Kosunen 1997a: 31). The next centre-right cabinet (under Prime minister Aho 1991–1995) adopted the line suggested in this report. Regardless of the cost cutting measures taken (such as suspending the indexation of benefits), the aim of the Aho government was to keep basic security untouched (HE 57/1991). During the first years of recession (1991–1992), it was generally decided to postpone the improvement of services (such as the right to child day care or the expansion of adult dental care) until better times (HE 57/1991). This was considered easier to implement than painful cuts after an extensive period of welfare state expansion. (Kosunen 1997a) Of the 1.7 billion Euro in savings contained in the 1992 budget, a sum of just under 0.7 billion Euro was actually achieved. Simultaneously, social expenditure grew by 13 per cent over that of the previous year. (Kosunen 1997a: 32) In order to facilitate further savings, the government revised the Constitutional Act (94/1919) and Parliament Act (7/1928) in ways that made retrenchment more likely.<sup>192</sup> The revision of the Parliament Act in 1992 meant that the cuts could be enacted in the basis of a simple majority (1/3) in the parliament instead of the two-third majority required by the former system. Only few years later, in 1995, to protect the most vulnerable groups of society, another change to the Constitution Act was made that restricted cuts to basic security benefits.<sup>193</sup> The latter change, in other words, compensated for the damage

192 Few publications focus on the amendment of social basic rights to the Finnish constitution (Sakslin 1996; 1999; Tuori 1999; Nieminen 1999; Arajärvi 2002).

193 Before 1990s any legislative proposal was left in abeyance until next term if one-third of the MPs (67 MPs) voted for it in the third reading. Since 1992, legislative proposals were no longer allowed to remain in abeyance and reforms can

done earlier. Together the revisions transformed the politics into a simple majority democracy, where, on the one hand, public economies can be adjusted under crises, but, on the other hand, vulnerable groups must be protected.

As of 1993 more profound measures were taken to tackle economic problems. The ‘Sailas paper’ (1992) proposed extensive structural reforms to most social security programmes as well raising taxation (Saari 2001: 145; see more e.g., Kosunen 1997a: 33).<sup>194</sup> The report expressed a need to, for instance, postpone all planned reforms, increase user’s charges, tighten access to unemployment provision, expand the waiting period in sickness insurance. One year later, the Aho government drew up a position paper in 1993, which demanded, besides slowing down the growth of expenditures, a halt in the increase in the public sector debt (which had become a serious problem in the 1990s) by 1997 (Hallituksen kannanotto ... 1993).<sup>195</sup> Regardless of the fact that the economy took a turn for the better in 1994 (the gross national product rose by four per cent in 1994), the Aho government did not see any possibilities for improving social security benefits or services. On the contrary, extra savings were achieved by tightening the qualification rules for benefits and postponing the revisions planned for child home care allowances and dental services (HE 126/1993b). Although export and economic growth improved, the unemployment rate was still rising and it eventually peaked in 1994 when 18,4 per cent of the working age population were unemployed (Julkunen and Nätti 1999). Unemployment became the hottest topic of the parliamentary elections of spring 1995, when the opposition accused the Aho government of failing to deal with unemployment. The centre party lost the election and a social-democratic-led ‘rainbow coalition’ under the Prime Minister Lipponen (1995–1999) took over.<sup>196</sup>

Rather than focusing on controlling indebtedness as the previous government had done, the Lipponen government aimed at halving the number of unemployed and

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be made based on simple majority instead of two-third majority of the former system. In 1995, proposals for retrenchment of certain non-earnings-related benefits which were designed to provide basic protection were still allowed to be left in abeyance (for a more detailed analysis, see Saari 2001: 95–98), for a period of transition before the revision of the Constitutional Act.

194 When drawing up the 1992 budget it became clear that tougher measures were needed. The job of balancing the public budget was given to budget manager Raimo Sailas, under whose leadership the government’s agreement on savings for the years 1993–1995 was prepared. In this ‘Sailas paper’ (1992), extensive structural reforms were proposed, to pensions, income support, family and housing policy, as well as several suggestions aimed at retrenching the shorter-term expenditures, of which some were implemented as early as the beginning of 1993. Furthermore, many of the savings, suggested in the Sailas paper, were aimed at social security. For instance, the paper proposed abandoning the annual indexation based increases in social transfers, the postponing of all planned reforms, including the child care reform, increasing the user’s charges, including health care charges, tightening the criterion for receiving unemployment benefit, expanding the waiting period of sickness insurance, and tighten qualification criteria. In addition to expenditure reductions it was also decided to increase revenue by, for example, raising taxation (Saari 2001: 145; Kosunen 1997a: 33).

195 The public debt in Finland was at the time rather low in comparison to many other countries, it was thus not the level but the pace of increase that was the problem.

196 The ‘rainbow coalition’ comprised the Social Democrats, the National Coalition, the Greens, the Left-Wing Alliance, and the Swedish People’s Party.

supporting economic growth. The cure for the high numbers of unemployed was seen in increasing the flexibility of the labour market and stimulating people to work. In fact the Lipponen government did not make major changes in the strategies of previous government in itself; most of the policy changes were linked to reforms made prior to 1995. The main ideology behind the changes implemented since 1996–1997 seemed to encourage people to work rather than to collect benefits (Kosunen 1997a: 37; Saari 2001: 149).

#### *5.1.4 Recovery, from 1997 onwards*

In 1996–1997, the economy was starting to pick up again; investments were increasing, the inflation rate was one of the lowest in the EU, interest rates had fallen, and the balance of payments was in surplus. According to the Lipponen government: the recession had come to an end (HE 103/1996b). However, the export-led growth strategy did not seem to achieve its goal of reducing unemployment, and the unemployment rate remained high. Therefore, it was also the main goal of the Lipponen's second cabinet (1999–2003) to stimulate employment. This time more structural reforms were to be introduced. In November 2001, the social partners, pension institutions and government agreed a set of pension and unemployment insurance reforms. In March 2003, a new centre-left government in the form of a three-party coalition, comprising ministers from the Centre Party, the Social Democrats, and the Swedish People's Party took office.<sup>197</sup> The most important goal for the Vanhanen government, like its predecessors, has been to improve the employment situation. For this purpose, income taxation was eased in 2003–2005. In addition, the taxation of companies and indirect taxation (e.g. taxes on alcohol) was reduced. Unemployment remained a problem largely due to its structural nature and the large regional differences. The recent Society guarantee (*yhteiskuntatakuu*) law proposal aims at improving the use of social assistance and Labour Market Assistance for getting people back to work. Furthermore, the sustainability of the social programmes culminated in the discussion on future pension expenses. In 2005, the cabinet announced the revision of private sector pension programmes. After lengthy negotiations between the social partners and the government, the general retirement age of 65 was abolished and the possibilities of early retirement were reduced by providing financial incentives for staying in work longer. Similar amendments were made to public sector pensions (for this, see Kangas 2007).

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<sup>197</sup> The cabinet was shortly led by the first female Prime Minister in Finnish history (Mrs. Jäätteenmäki), but she and her cabinet formally left office only after few months after deep political crisis regarding her parliamentary campaign. A new government was appointed on 24 June, with a composition almost identical to that of its short-lived predecessor. The previous Minister of Defense, Vanhanen became the new Prime Minister.

## 5.2 Benefit reform in Finland: 1980–2006

The next three sections view reforms to unemployment benefits, sickness and disability benefits, and social assistance in Finland since 1980. We begin with a description of the systems in 1980 and 2006 and proceed with a detailed analysis of the reforms implemented between 1980 and 2006. The full list of the Finnish Acts referred in the text is described in Appendix 3. We conclude with a discussion of social security reform in Finland.

### 5.2.1 Reforming Finnish unemployment benefit programmes

Description of the unemployment benefit system in 1980 and 2006

There were several programmes available for the unemployed in 1980. The most important of those (shown in Figure 5.1), which will be discussed here, were an Unemployment Insurance Benefit for full-time workers and a National Unemployment Benefit providing minimum security for those not qualifying for the unemployment insurance, but passing the means-test. Furthermore, an Adjusted Unemployment Benefit compensated for workers whose work time and income had been involuntarily reduced for loss of income.<sup>198</sup> It was, however, a programme directed at a reasonably small group and therefore not discussed here.

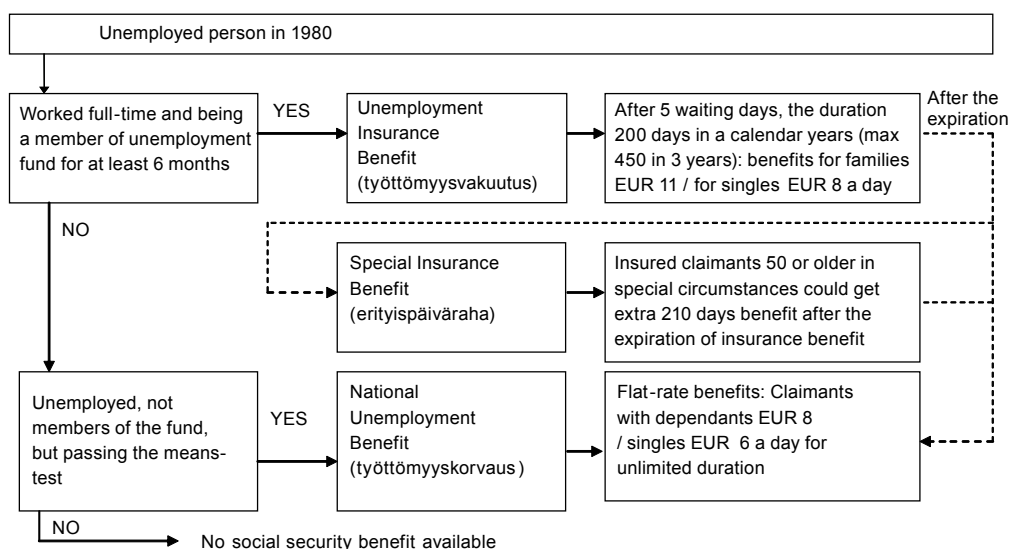


Figure 5.1. Route to Finnish unemployment benefit programmes in 1980.

198 The Adjusted Unemployment Benefit (*sovittu päiväraha*) was available for workers who worked full-days, but not every day of the week. The remaining wage income was taken into account when calculating the amount of the adjusted benefit, but it basically provided less generous (mainly in duration, but also in the level of benefit) than the Unemployment Insurance Benefit. Throughout the years, the scheme has been made more difficult to access, but it still exists. The main changes related to the Adjusted Unemployment Benefit are listed in the Appendix 3.

The Unemployment Insurance Benefit (*työttömyysvakuutus*), based on the Unemployment Insurance Benefit Act (Työttömyyskassalaki 125/1934), paid cash compensations for wage workers (17–65) with a (full-time) employment record.<sup>199</sup> To receive Unemployment Insurance Benefit, claimants had to satisfy the condition of a (voluntary) membership of an unemployment insurance fund for at least six months prior to unemployment.<sup>200</sup> Recipients must be registered at the employment office, seek (full-time) employment, as well as accept suitable jobs (with regard to their skills) if offered. The unemployment insurance fund administered the benefit provision and it granted several benefits: Unemployment Insurance Benefit, Special Insurance Benefit as well as certain allowances for housing, clothing, and travelling.<sup>201</sup> After five waiting-days, the Unemployment Insurance Benefit was paid at the rate of €11 a day for claimants with dependants, and €8 for singles.<sup>202</sup> An additional increase for dependent children was €0.22 per a child (up to a maximum of €1). The Unemployment Insurance Benefit was paid for 200 days in a calendar year, up to a maximum of 450 days in three calendar years.<sup>203</sup> The Special Unemployment Insurance Benefit (*erityispäiväraha*) was payable for claimants aged 50 or older (and in few occasions for claimants of 40 or older) who had lost their jobs due to lay-offs by the main employer of the region (which had also worsened the local employment situation profoundly). It was thus a very rudimentary programme. The Special Unemployment Insurance Benefit was paid as an extension to the daily benefits for a maximum of 210 days after entitlement to the daily insurance benefit expired (Liskola 1982: 214–215). The beneficiaries only had to accept work that corresponded with their education and work experience, but refusing such a job or training offer, might terminate their right to the benefit. Claimants aged 50 or above faced less tight requirements as they could refuse a job or training offer without losing their benefit right.

The National Unemployment Benefit (*työttömyyskorvaus*), based on the Employment Act (Työllisyyslaki 946/1971), was paid to unemployed Finnish nationals (16–65) who were not eligible to Unemployment Insurance Benefit or who had exceeded their maximum duration, and whose income remained under a prescribed level (see also Mikkola 1981).<sup>204</sup> The National Unemployment Benefit tested both the income of unemployed

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199 In 1980, the Unemployment Insurance Benefit hardly resembled traditional insurance benefits, rather it resembled a basic security provision for workers, that paid benefits at very low level unrelated to past earnings. It was not until its successor in 1984 that the characteristics of an (earnings-related) insurance benefits scheme were fulfilled. We call the scheme here an insurance scheme to distinguish between a scheme for workers and a means-tested scheme for others with insufficient income.

200 In end of 1980, there were 76 unemployment insurance funds covering approximately 81 per cent of waged workers (Sosiaalityöntekijän käsikirja 1982: 212).

201 The latter benefits (housing, clothing and travelling allowances) were rarely paid and therefore not discussed here.

202 The amounts were paid in the national currency (Finnish markka) until 1 January 2002, when Finland introduced Euros. For the text we converted all national currencies to euro to give the reader a better view of the benefit levels at the time. For our research €1 = FIM 5.9)

203 The unemployed, who had claimed the benefit for a maximum of 450 days in three years, were re-eligible for the benefit again, after having worked at least six months.

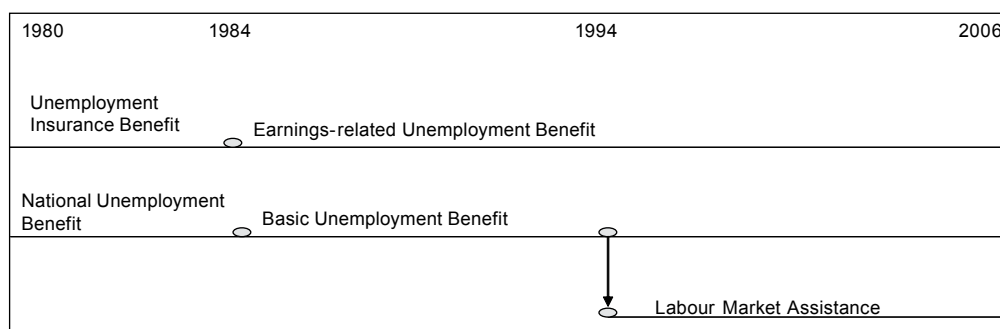
204 The scheme excluded the self-employed, students, or farmers.



persons as well as their partner and only if the claimants' income remained under 505 a year, did they qualified for the full national benefit (if their income exceeded this ceiling no benefit was payable). Furthermore, claimants had to be registered at the employment office, seek (full-time) employment as well as accept any job offer after three months on benefit. The National Unemployment Benefit was payable for an unlimited time as long as the persons followed the benefit rules and their income remained under the prescribed level. As of 1 June 1981, the National Unemployment Benefit rate for singles was €6 and to claimants with dependents €8. Moreover, a €0.22 increase was paid for every child under 18. (Liskola 1982: 218–220). Figure 5.2 shortly portrays the developments in these benefits between 1980 and 2006.

In 1984, the unemployment protection programmes were brought together under one law, the Unemployment Benefit Act. The former Unemployment Insurance Benefit was renamed as Earnings-related Unemployment Benefit (*ansiopäiväraha*), and the National Unemployment Benefit was called from now on as Basic Unemployment Benefit (*peruspäiväraha*). In addition to name change, the programmes were fundamentally revised, but this is elaborated in the next section. In 1994, a new benefit, a Labour Market Assistance (*työmarkkinatuki*) was introduced that took over the means-tested provision. Figure 5.3 describes the present system.

The current structure of Finnish unemployment provision includes two unemployment insurances (the Earnings-related Unemployment Benefit and Basic Unemployment Benefit) and a means-tested benefit (Labour Market Assistance) for the unemployed whose entitlement to the insurance has expired or who have no work history. The years have brought about several changes to the rights and conditions of the jobseekers.



**Figure 5.2.** Chronological time-line of the changes in Finnish unemployment benefit programmes 1980–2006.

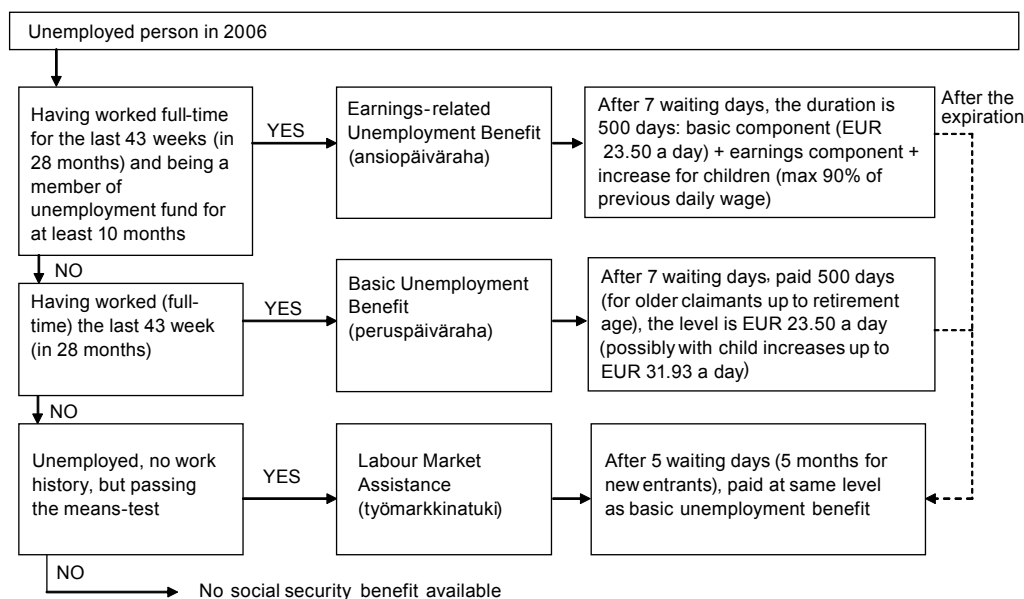


Figure 5.3. Route to Finnish unemployment benefit programmes in 2006.

#### Changes in unemployment benefit rules in Finland, 1980–2006

The developments between 1980 and 2006 reveal three distinct periods of restructuring: expansion of benefit rights between 1980 and 1990, cost containment in 1991–1997, and increasing encouragement for work since 1998. Next we elaborate on these changes.

#### Expansion of benefit programme, 1984–1990

As established above, the 1980s was a time of economic prosperity in Finland. For the unemployed it meant the expansion of unemployment benefit rights. The current unemployment benefit system had become outdated by the end of the 1970 and it was fundamentally reformed in 1984. The decade manifested smoothening of access to unemployment benefits and increases in benefit levels. Yet, at the same time, conditions related to active job searching were tightened and young recipients' access to unemployment benefit programmes was made more difficult. The new Unemployment Benefit Act of 1984 preserved the dichotomy between insurance benefit and means-tested benefit, but unemployment provision was now regulated within a single law: the Unemployment Benefit Act (602/1984).<sup>205</sup> The insurance provision for the unem-

205 The Social Insurance Institution (Kela) became the administrator of the national unemployment benefit scheme, whereas the trade unions remained delivering the earnings-related insurance benefits. It was, however, already then suggested (Komiteanmietintö 1979:27) that the means-test under the Basic Unemployment Benefit should be abolished,

ployed was generated through the Earnings-related Unemployment Benefit (hereafter Earnings-related UB) and means-tested benefit operated now under the name of Basic Unemployment Benefit (*Basic UB hereafter*). The Act raised benefit levels, extended duration, eased access to the Basic UB, but also set more conditions related to availability to work and accepting suitable work.

### Higher entitlements

First and foremost, the 1984 Act raised benefit levels. Basic UB remained a flat-rate benefit and its full rate was set at €12 a day. Although, the basic benefit was made taxable at the same time, gross benefit levels rose significantly: the full benefit (€12) meant a net benefit of approximately ten Euro for a single person, taking the taxation basis of 1984 (HE 83/1984). Previously this had been lower, only about seven Euro without the taxes for a single person (Nieminen 1985: 105). Basic UB was paid for an unlimited period providing that the recipients continued to satisfy the eligibility conditions. Even more significantly, the rates of Earnings-related UB were raised. The levels of the former Unemployment Insurance Benefit had been seriously insufficient in the early 1980s, and fell below the level of means-tested benefits.<sup>206</sup> The 1984 Act raised the Earnings-related UB levels so that they actually compensated for the loss of earned income, that is, they became earnings-related. At the same time, the duration of benefit entitlement was extended (from a maximum of 450 days in three years to 500 days). The Earnings-related UB was made to comprise a component equal to the full Basic UB rate (€12 a day in 1984), and an earnings-related component (45 per cent difference between the daily wage and Basic UB). Initially, the entitlements were lowered (with 20 per cent) after the 100th day on benefit, but this reduction was gradually abolished in 1989.<sup>207</sup> Increases for dependant children remained payable under the new programme and the rates were increased to a maximum of five Euros per family.<sup>208</sup> Furthermore, indexation of unemployment benefits was altered in 1984 so that they were adjusted annually if wage levels increased significantly (see also Honkanen 2006a). Prior to 1984, the indexation of unemployment benefits was dependent on government's choice. The 1984 legislation did not specify an annual percentage increase, but increases were generally applied when average wage levels were raised by, at least, five per cent (Nieminen 1985: 108). Subsequently, between 1984 and 1991, unemployment benefit rates were annually adjusted, and the level of Basic UB rose from €12 a day in 1984 to €20 a day in 1991. The increases were reasonably

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but this was not done until in 1993 (Honkanen 2006b: 28).

206 Vähätalo (1988: 1) shows that due to the devaluation and increase in taxation, the state unemployment benefits were commonly paid at a higher level than the Unemployment Insurance Benefits.

207 Three years later, in 1987 (226/1987), the earnings-related unemployment benefit was reduced by 12.5 percent after the 200th day of benefit receipt which was thus less and later than in 1984. In 1989, this reduction was abolished (69/1989).

208 In 1981, child increases were paid at a maximum of one euro per family. In 1984, child increase rates were raised and made to depend on the number of the underage children in the household. Increases for one child were €2.5 a day, for two children total €4, and for three or more children to total of €5.

generous as the rate of Basic UB was in 1991 much higher (€20 a day) than the minimum income (social assistance) which was linked to the national pension level (for singles 80 per cent of the full national pension (€66 a month) in 1991).<sup>209</sup> Moreover, increases for dependent children were raised annually, leading to higher entitlements for families with children.<sup>210</sup>

#### Smoothing the rules to access

The 1984 Act also widened the coverage of unemployment benefits. From then on unemployed persons aged 17–65 living in Finland were eligible for unemployment benefits, rather than just Finnish nationals as previous.<sup>211</sup> The qualification requirements for the benefits remained largely the same. To receive Earnings-related UB, persons had to have worked in full-time employment and been a member of the unemployment insurance fund for at least 26 weeks prior to the unemployment, which was more or less equal to the earlier six months condition. To qualify for the Basic UB, claimants were not required to have a work history, but their income had to remain under a prescribed level similar to its predecessor. In 1984, claimants and their partners were allowed a monthly income of €593 to qualify for the full benefit, which was approximately €88 more than earlier.<sup>212</sup> However, the amendment did not practically change much, while the former National Unemployment Benefit had not been indexed since 1982 and the earnings-disregards had devaluated by approximately €88 as of 1982 (Nieminen 1985).<sup>213</sup> As of 1984 the earning-disregards for the full benefit were raised annually: for singles it was gradually raised from €452 a month in 1987 to €535 a month in 1989, and for claimants with children it eventually increased from €634 in 1986 to €800 per month in 1989. These and a few other alterations to earnings-disregards meant that more people could be entitled to the Basic UB.<sup>214</sup>

209 In Finland, the level of minimum income (social assistance) is not related to minimum wage, rather than to another social security benefits. Until 1998, the level of social assistance was linked to the national old age pension level. In 1998, the system was changed so that the law set the level of social assistance (see more section 5.2.3).

210 Child increases were raised between 1984 and 1990 from €2.5 to €4 per day from one child, from €4 to €5 per day for two children, and from €5 to €7 per day for three or more children raising the entitlements of claimants with children.

211 At the same time, the access of the 16-year-olds was abolished. This was, however, a reasonably minor change as their claims were seldom granted since the Act on Child's Maintenance of 1975 (Laki lapsen elatuksesta 704/1975), where parents were made responsible for the income maintenance of their child until they turn 18.

212 The means-test was applied to recipients' income exceeding €397 a months (for singles, but the amount could be raised for partners and children). The income exceeding this was reduced by 75 per cent. No benefit was paid if the income exceeded €593.

213 Furthermore, Nieminen (1985: 101) argues that the 1984 Act was insignificant while the income limit was set to its previous level, that is, to the level of lowest salaries of low-income earners. The average salaries for workers in manufacturing industries were in 1984 approximately €706 a month for women and €942 a month for men. This meant that partners of middle income worker could rarely receive full Basic UB.

214 Additionally, the law acknowledged a special earnings-disregard for the income of claimants' partners and this was raised from €37 in 1987 to €49 per month in 1990. The additional earnings-disregard for recipients with children under 18 was raised from €51 in 1986 to €91 per month by 1990, which increased the number of claimants and their allowed income. Furthermore, the income of the parents of recipients under 18 living at home no longer affected their benefit.

### Stricter work-related conditions

Although most rules under the 1984 Act discussed so far were favourable for claimants, jobseekers also faced stricter behaviour conditions related to work. As before claimants were obliged to register at the employment office and to seek (full-time) employment (Article 2). However, since the 1984 Act claimants are required to be demonstrably available to work and to accept suitable work after three months on benefit. With regards to suitable work, recipients could refuse an offer during the first three months if the earned salary was going to be lower (after deducting the necessary costs of commuting and other such expenses) than the person's unemployment benefit. After the three months on benefit, claimants (also now the recipients of Earnings-related UB) were required to accept work outside of their educational and work experience. A refusal of job or training offer led to stricter sanctions.<sup>215</sup> Although the amendment to be available for work was new, the condition had been used before (see also Nieminen 1985, 81). Incorporating the condition into law was, however, a prominent change as it later led to the removal of several smaller groups from unemployment benefit programmes (for instance stay home parents receiving home care allowance (1987), persons on early retirement (1987), and rehabilitation or training subsidy (1990, 1991) as discussed shortly). The removal of these groups from unemployment benefits had often less dramatic consequences for them, since they were generally transferred to other programmes where they were better off. For instance people transferred to early retirement programmes were not expected to be available for work nor to seek it.

The tighter requirements around availability for work led to the removal of (full-time) students from unemployment benefits. Already prior to the amendment, students had a relatively small chance of obtaining unemployment benefits, since they could seldom accept full-time employment as required (see also Nieminen 1985: 80). Changes under the 1984 Act meant that students could no longer claim benefits during the holidays. Only students who, demonstrably and permanently, had stopped studying or who had worked for longer than three months (and not only during a holiday season) prior to the claim were considered to be available for work and could therefore be granted unemployment benefits. Furthermore, the 1984 Act was rather unfavourable for the young as it extended the waiting period for new comers to the labour market, in principle young people and school-leavers, from five days to six weeks.<sup>216</sup> For the young, emphasis was placed on education or work, rather than dependence on social security

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In practice, the reform was less significant, while the age-limit was raised with the 1984 Act from 16 to 17. Therefore, this ruling only affected the claimants at the age of 17, and in most of these cases, they were already obliged to accept a training or education place if offered.

215 A general six week sanctions was set in the 1984, which, in practice, had already had been in use earlier. However, a new milder three week sanction was introduced alongside a stricter unlimited sanction for people repeatedly refusing work.

216 However, in practice, this six-weeks-waiting period had practically applied to people finishing comprehensive and secondary school (but not persons graduating from vocational schools or former self-employed) since 1980 (Decision of Employment Ministry (työMp) 1030/1980), but the 1984 Act made this statutory.

benefits. To support this goal, in 1987 (275/1987) municipalities were obliged to find work for the long-term unemployed and the young: every long-term unemployed person (12 months or longer on benefit) and comprehensive school graduate under 20 was guaranteed a job or training place after three months of unemployment. Kettunen (1996: 49) argued that this 1987 Act was a significant change towards more active labour market policies, where municipalities received a financial compensation from the state to encourage this. We agree that the 1987 Act was an important step towards more work-focused policies (for young but also for others), and that the number of such activation measures increased greatly under Finnish unemployment provision later in the 1990s, but we want to emphasise that the roots of Finnish active labour market policies go back to the First Unemployment Act in 1956 and beyond.<sup>217</sup>

Reforms 1985–1990/1991: Facilitating early retirement for older workers and improving chances for people with diminished capabilities

Despite the stricter obligations around work availability and acceptance, and particularly the restricted access for the young to unemployment benefits, the developments of the 1980s were rather favourable for most unemployment benefit recipients. The unemployed aged 55 or older and people with diminished capabilities improved their position in the second half of the 1980s. Firstly, new flexible retirement benefit programmes were introduced in 1987: an Early Old-age Pensions and an Individual Early Retirement Pension (670/1985), which considerably improved early retirement opportunities (these programmes are discussed more in detail in the section on disability benefits).<sup>218</sup> The unemployed were better off with these flexible early retirement benefits, as they did not require recipients to be available to work, to seek it, or accept it. Secondly, the Basic UB rules were altered in 1987 so that older claimants (55 or older) who satisfied the work history requirements set in Article 16 (but who were not members of a unemployment insurance fund granting them unemployment insurance benefits), no longer had to demonstrate a need for financial support (226/1987). This meant that the older claimants who had worked at least 26 weeks could be granted the Basic Unemployment Benefit irrespective of their means and income. Furthermore, the means-test was also amended in 1987 to ignore certain pensions, disability benefits, and social assistance benefits.<sup>219</sup> In 1990, the early retirement prospects of

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217 The roots of Finnish active labour market policies proceed our period of examination. The first unemployment Act in 1956 aimed at employing a more active approach rather than simply alleviating the consequences of unemployment by creating subsidized jobs. Therefore, active labour market policies, closely bound to social policies in Finland, have not been created to address the problems from recessions and mass unemployment, but have existed in the logic of welfare provision since the expansion years (see more Nieminen 1985; Hvinden, Heikkilä and Kankare 2001).

218 The basis for the Finnish early retirement schemes was established in the 1970s, when disability pensions were complemented with an unemployment pension scheme (for claimants aged 55 or older). Long-term unemployed persons over the age of 60 became entitled to an unemployment pension after unemployment insurance benefit had been paid for 200 working days. The minimum age was later lowered to 58 (1978), and then to 55 years (1980). This unemployment pension secured the subsistence of the ageing long-term unemployed when the unemployment daily allowance ended.

219 Certain pensions included for instance: the annuity and the supplementary annuity under the Military Injuries Act,

the long-term unemployed were improved, when the extra day (*lisäpäivä*) system was introduced (1365/1990). The extra day system provided persons aged 55 or older with unemployment benefits until the end of the calendar month that they turned 60 (and who thereafter qualified for unemployment pension until the statutory retirement age). The extra day system created (together with the unemployment pension) the basis for an arrangement called the 'pension tube', where older unemployed persons (55 or older) could remain on earnings-related benefits until pensionable age (65 at the time). These reforms favoured older claimants and eased their access to and/or extended their duration on (unemployment) benefit thus encouraging the utilization of the unemployment pathway to retirement (see also Hytti 2002). Finally, in the beginning of the 1990s, social security provision was improved for unemployed people with diminished capacities.<sup>220</sup> The Rehabilitation Allowance Act (Kuntoutusrahalaki 611/1991) facilitated the re-entrance of disabled workers, and the Training Allowance Act (Koulutustukilaki 763/1990) encouraged the unemployed to improve their skills through training programmes and therefore, improve their chances of re-entering the labour market. People receiving these subsidies lost their right to unemployment benefits (620/1991 and 665/1993), but these subsidies generally provided more generous benefits, albeit with more (behavioural) conditions.

#### The reduction of rights, 1991–1997

At the turn of the 1990s, unemployment was at a record low, only three per cent, there were labour shortages (especially in the public sector) and practically no long-term unemployment (Hytti 2002).<sup>221</sup> The situation abruptly changed at the end of 1991. During the three most severe recession years (1991–1994), the number of unemployed jobseekers increased explosively from 213,201 (in 1991) to almost half a million (494,247 in 1994). (Kela 2004: 72, Table 19) Therefore, reforms to social security benefits were guided not only by the necessity of cutting costs (Sosiaalitoimikunta 1994), but also the need to improve incentives to work. The changes culminated in a new unemployment benefit programme, Labour Market Assistance, which embedded, above all, more stringent activation measures than its predecessors. At the same time, the means-test was abolished from the Basic Unemployment Benefit, which widened basic security for people with a work record. While the economic recovery began at the end of 1993

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compensation for special costs under the Employment Accidents Insurance Act and the Military Injuries Act, the front-veterans pensions, and the family pension's supplement.

220 Already in the 1989 Act the reconciliation of unemployment benefit and Sickness Benefit had been improved. Since then, unemployment benefit payment was reformed not to stop until Sickness Benefit payments start. In other words, the sick unemployed did not have to wait for seven days before receiving Sickness Benefit, rather they were transferred from unemployment benefit to Sickness Benefit without any breaks in benefit eligibility (HE 151/1988). Furthermore, the entitlements of certain disabled recipients of unemployment provision were raised: legislation in 1992 announced that the care allowance (under the National Pensions Act) and the disability allowance (under the Act on Disability Allowance) were not reduced from the full-rate of unemployment benefit.

221 In addition to an exceptionally good employment situation, this was due to the 1987 Act which guaranteed fixed-term subsidised work for all those who had been unemployed for at least 12 months.

(in terms of total output), this was not reflected in unemployment provision. During the post-recession years (1995–1997) unemployment benefit claimants experienced many changes including the lowering of benefit levels, tighter qualification requirements and more stringent activation measures.<sup>222</sup>

#### Decrease in entitlements

During the years of economic prosperity (1984–1991) unemployment benefit rates had been raised annually. In the first waves of the recession, the government announced no indexation in unemployment benefits between 1991 and 1994. In 1991 the earnings-related component was also reduced from 45 to 42 per cent of the difference between the daily wage and the basic component leading to lower earnings-related benefits (however, this reduction was reversed after the recession) (1694/1991).<sup>223</sup> Furthermore, the method of calculating Earnings-related UB was changed in such a way that the level of this benefit decreased: as of 1991, employers' contributions to occupational pensions began to be taken into consideration in determining the size of the benefit which lowered the amount of the net benefit payments.<sup>224</sup> In 1995, the benefits and earnings-disregards were finally raised, but the increase was small (only two per cent). Between September 1996 and December 1997 the benefit levels were not adjusted.<sup>225</sup>

#### Mission (im)possible: Faster re-entry to work

In the early 1990s, claimants were obliged to accept employment more quickly if offered. Since 1984 claimants could turn down a job offer for the first three months. From 1993, claimants were obliged to accept suitable full-time jobs immediately, even though the wage received might be less than the benefit level (665/1993). The same

222 At the same time, employers were encouraged to hire people (with subsidies) and to decrease the use of early retirement. For instance, since 1991 the employers have to pay a share of costs of the long-term unemployed who entered the unemployment pension scheme.

223 More in detail was amended that when the monthly benefit was greater than 90 times the basic component, the earnings-related component was 20 per cent of the amount by which the daily wage exceeded this. Including child increases, the earnings-related benefit could not exceed 90 per cent of the daily wage of the insured: it must, however, be at least as much as the basic amount including any child increase.

224 Furthermore, until 1992, trade unions administered all unemployment insurance funds in Finland – becoming a member of a fund simultaneously meant joining a union. Since 1992, unions have had to compete with an independent fund, YTK, whose membership reached a quarter of a million, or 10% of the labour force, in October 2005 and continues to grow. Recent research by Kuusisto (2005; supported also by the work by Böckerman and Uusitalo 2006) indicates that the link between union membership and the entitlement to Earnings-related Unemployment Benefits is being increasingly eroded by the success of YTK.

225 The initial plan was also to freeze indexation in 1998–1999. However, the legislator was concerned with the consequences of these developments, as it was shown that, even though the basic unemployment benefit does counter to the full amount of national pension in terms of monthly payments, it lagged behind by €84 a month (net) already in 1996, if consequences of taxation were taken into consideration (HE 152/1997).



Act abolished the right of people over 50 to turn down a job offer or training, and they also had to accept a job deemed suitable by the employment office. The 1993 Act also laid down stricter sanctions for those, who resigned without an adequate reason or became unemployed as a result of their own actions. The maximum sanction period was extended from six to eight weeks. This applied to persons who repeatedly refused activities that would improve their chance of finding work or could not present an acceptable reason for being outside of the labour market. The effect of these reforms was diminished as in the early 1990s, supply and demand in the economy did not meet and there were hardly any jobs to be offered.

#### Revision of unemployment protection in 1993

In 1993, more structural changes were implemented in order to limit the number of beneficiaries, or at least to bring them back to the labour market. Alongside the Earnings-related UB and Basic UB, a third system, the Labour Market Assistance (*työmarkkinatuki*), LMA, was developed. The Earnings-related UB and Basic UB were specified as benefits providing security in the case of loss of income (or earnings), while LMA functioned as a guarantee of a minimum income security. The Earnings-related UB and Basic UB embedded the same work history requirement (26 weeks at the time) and both paid benefits for 500 days. They differed in, that the Earnings-related UB provided (generous) benefits related to past work earnings, whereas the Basic UB generated benefits at the level of basic provision, which was only approximately the half of its earnings-related counterpart.<sup>226</sup> LMA was paid at the same level as the Basic UB, but now contained a means-test. The reform produced the current system of unemployment provision where the majority of workers are protected against income loss by a generous insurance, other workers (who are NOT members of unemployment insurance funds) are covered by the basic provision, and a means-tested provision is provided for those who do not satisfy work history requirement, first-time entrants to the labour market, or those whose maximum duration on Earnings-related UB or Basic UB has expired. In 1994, 273,240 people were receiving the Earnings-related UB, 165,470 were claiming the Basic UB, and 53,270 the new LMA. In comparison with past provision, the role of basic security was improved for workers, but the number of recipients on Basic UB started to decrease rapidly thereafter (and was only 15,900 in 2000), whereas the number of people on LMA started to increase (rising to 159,620 in 2000), largely due to the increasing number of long-term unemployed. (Kela 2004) The introduction of LMA also introduced a greater element of activation for claimants.

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226 Furthermore, only earnings-related unemployment benefit required membership of the unemployment insurance fund.

## New means-tested and activating benefit: Labour Market Assistance

The Labour Market Assistance Act (1542/1993) aimed at generating benefits primarily for the young, school-leavers, and long-term unemployed (HE 235/1993). The level of LMA was set to equal to the rate of the Basic UB, but it was based around a means-test. The means-test not only considered the claimants' income but also that of their partners. The amounts disregarded at the means-test were raised in 1993 enabling more people to become eligible to a full benefit.<sup>227</sup> Furthermore, no means-test applied for people over 55 and satisfying the work condition, or for people whose earnings-related benefit has expired (but for them only for the first 180 days). The unemployed self-employed, previously ineligible for unemployment benefits, received a right to LMA in 1993, and two years later (in 1995) they were granted also Earnings-related UB or Basic UB, providing that they satisfied a three times harsher work condition (2-out-of-4 years).<sup>228</sup> Most importantly, the LMA programme aimed at reintegrating the recipients back to the labour market, whenever possible (HE 235/1993). To support this goal, LMA was paid without a means-test for those participating in activation measures. LMA contained a Special Daily Allowance (*ylläpitokorvaus*) and an Accommodation Allowance (*majoituskorvaus*) for persons who participated in activation measures. These allowances raised the level of payments. Significantly, jobseekers were encouraged to participate by providing carrots, rather than sticks. At the same time in 1993, the obligation to find work for the young and long-term unemployed (introduced in 1987) was shifted from the state to the unemployed themselves. This obligation had turned out to be too expensive for the municipalities (see also Kettunen 1996: 49). Furthermore, setting more obligations for the jobseekers (rather than the state) fitted in with governmental aims (HE 235/1993).

## Stricter rules to access and lower benefits under the Labour Market Assistance

Although the means-test was smoothed under LMA, it was a much harder programme to access than the previous means-tested Basic UB. For instance, the waiting period for labour market entrants was extended under the Act to five months.<sup>229</sup> The

227 Claimants with dependants could have a monthly income up to €932 in 1992 (increased from €800), but the income exceeding this was reduced with 75 per cent. The income limit was raised by €106 per every child under 18. A single person could earn two thirds of the income of claimants with dependents with income exceeding this limit reduced by 75 per cent. The partners, married or cohabiting, income was taken into consideration if it exceeded €50 a month.

228 As of 1980, a self-employed person who has been working in their own, partner's or family's business was not eligible to any unemployment benefit. The 1984 Act gave recipients who started a small business while being on benefit, a right to unemployment benefit under certain strict regulations. The law thus distinguished between self-employed business activities that began while being unemployed and those that had been stopped by person becoming unemployed. After the introduction of Labour Market Assistance Act in 1993, the self-employed could claim means-tested LMA, and as of January 1995 most self-employed also got the right to the Basic UB and Earnings-related UB. The self-employed had to, however, satisfy stricter conditions than waged workers. They had to have a work history of at least two years of labour within the last four years. Furthermore, previous earnings from self-employment must have been high enough to be able to provide the person with an unemployment compensation. The self-employed did not get a right to the extra day provision.

229 Already prior to Labour Market Assistance Act, the conditions around the unemployment provision had been tight-

eligibility of 17–24-year-olds was considerably restricted (in 1994 and 1995), since they could be granted LMA only if participating in active labour market measures. Furthermore, if they refused the jobs offered, resigned, dropped out of the education system or refused to apply to a vocational training, no benefit was paid (1705/1995 and 665/1996).

Although the benefit rates were not reduced under the Labour Market Assistance Act, many claimants faced lower benefits under the new programme. One lower rate of LMA (and Basic UB) 60 per cent of the full rate was introduced for people living in the parental home. Furthermore, a waiting period of five days was introduced for those unemployed (generally long-term unemployed) transferring from unemployment benefits to LMA, which generated lower benefits by postponing their entitlements. Two years later, in 1995, the child increases were reduced by 40 per cent, which generated much lower benefits for the claimants with children (1705/1995). The cut was, however, compensated through a new and more generous family support programme introduced in 1994, and the reduction (40 per cent) of child increases was reversed in January 2002.<sup>230</sup>

Stricter requirements for insurance benefits in 1996

Unemployment declined slowly from 1995 (Kela 2004: 72, Table 19), but the rules for Basic UB and Earnings-related UB were tightened further in 1996 (666/1996). The work history requirement was extended from six months (26 weeks) to ten months (43 weeks) within the 24 immediately preceding months in work.<sup>231</sup> Only a maximum of 16 weeks of receipt of Training Subsidy (*koulutustuki* 763/1990) could be included in the work record, which strengthened the link between actual work history and eligibility for unemployment insurances (see also Aho et al. 2000: 1). A 10-week-membership of an Unemployment Insurance Fund was also a requirement for Earnings-related UB. Furthermore, the method of calculating the Earnings-related UB amount was changed, which lowered the amounts payable.<sup>232</sup> The waiting days for the basic and

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ened for the young. In 1992, their waiting period was extended from six weeks to three months. Furthermore, the definition of new comers (in 1992) was specified to include persons who have been working less than three months prior to their registration at the Employment Office. The new definition was wider and included more people than just school-leavers as had been the case earlier (but still not graduates of vocational schools or entrepreneurs stopping their businesses).

230 Where as the child increases of Basic UB had been €4, €6, and €8 a day in 1 January 2001, the corresponding rates were only €1.6, €2.4, and €3 a day for LMA recipients. As of 1 January 2002, the child increases were thus €4 for one child, €6 for two children and €8 for three or more children a day for all recipients of state provided unemployment benefits.

231 One also had to have worked at least 18 hours per week and have a salary in accordance with the terms of a labour agreement. If, in a particular branch, there is no valid labour agreement, the pay from full-time work must be equal to at least 40 times the amount of Basic UB.

232 The level of the earnings-related component of unemployment benefit declined in 1996 when employers' contribution to unemployment insurance began to be taken into consideration in determining the size of the benefit.

Earnings-related UB were raised from five to seven days.<sup>233</sup> Finally, in 1997, the sanction periods were extended.<sup>234</sup>

#### Preventing an early exit

Since the mid 1990s, the government aimed also at preventing the early exit of workers from the labour market. Extra day rules supporting the early retirement of the older long-term unemployed were tightened in 1996.<sup>235</sup> The age limit for accessing the extra days was raised from 55 to 57 years, and persons over 57 prior to expiration of the 500 days of maximum duration got an extension until the end of the month they become 60 years of age. In practise this reform meant that claimants entering the Earnings-related UB or Basic UB programme at the age of 55 (previously 53) could remain (with the help of unemployment pension) on this 'pension tube' until the retirement age. The older recipients of LMA were less lucky, they were more likely to remain on means-tested benefit until eligible for the statutory old age pension (see more Hytti 2001: 299).

#### Changes in the means-test

In 1996, the means-test under LMA was tightened. The full amount was only paid if the monthly income of the recipients (and their spouses) were less than €848, which was almost €84 less than set in 1993 (€932 in 1993). However, income exceeding this reduced the benefit by only 50 per cent of the excess (in comparison with 75 in 1993). These changes made it harder to receive full benefits. Furthermore, the single person's income disregard was lowered (from two-thirds of €932 as in 1993) to €252 a month, but the percentage reduction remained the same (75 per cent), producing a clear cut in eligibility and entitlements. Furthermore in 1996, after a series of amendments (in 1992, 1995, see e.g., Korpinen 1997) to Child Home Care Allowance Act (*Laki lasten*

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233 Furthermore, after Finland joined the European Economic Area in 1994, the insurance schemes were amended in order to harmonise the Finnish Laws in accordance to the EU Decree 1408/71 (see discussion of the Decree in the section of national pension schemes below). This brought about alterations, for instance, if claimants had an insurance or employment period completed in another state covered by an international agreement binding on Finland that must be taken into account in determining the right to benefit. The national legislation was amended so that employment period were counted for previous employment requirement, if the person concerned had worked at least four weeks in Finland immediately before coming unemployed, or if the employment was intended to continue for four weeks but ended earlier for a reason beyond the employee's control (267/1994).

234 For instance, in 1997, the sanction period caused by refusing or quitting a job or training was extended (1401/1997). The sanction for quitting (or refusing) a job that would have lasted no longer than five days was extended from three weeks to one month. Furthermore, the sanction for repeatedly refusing a job offer (for work opportunity longer than five days) was extended from six weeks to two months. Finally, a sanction for resigning without an acceptable reason or self-caused termination of work was extended from eight weeks to three months. Furthermore, a possibility was given to a three-month-inspection time for persons, who have been sanctioned due to repeatedly refusing a job or training. To receive unemployment benefits again, they first had to participate in a job or training course for a minimum of three months.

235 In 1995 also minor defects existing in the extra day rulings were removed, for more information see Appendix 3.

kotihoidon ja yksityisen hoidon tuesta 1128/1996) full unemployment benefit was reduced by the amount of Child Home Care Allowance.

#### Encouragement to work from 1998 onwards

By the end of the year 1997 most radical reforms had been implemented and in the years following more subtle changes were implemented. First, some damage control was implemented to relieve the consequences of the reforms introduced during the recession years (1992–1997) by implementing statutory indexation and smoothening the access rules, but in essence, the changes implemented since 1998 concerned the activation of the unemployed.

#### Changes through statutory indexations

During the recession (1992–1997) unemployment benefit was not regularly indexed so by the end of the 1990s levels lagged behind. This had been indicated in the research (discussed in HE 152/1997): as in 1996 the Basic UB lagged behind the full national pension amount by approximately €83 a month (if taking the consequences of taxation into consideration). From 1999 onwards, Basic UB and LMA, and the dependent child increase rates were (statutorily) adjusted annually to correspond to the changes in cost-of-living-index, rather than (arbitrarily) raised to correspond to the changes in average wage level before (1410/1997). The indexation procedure was now equal to that used for national pensions. However, as the national pension is indexed in relation to changes in the cost of living and not in relation to increases in wage level as for the employment pensions, these benefits do not follow the general increases in wage and purchasing power, which widens the gap between workers and social security benefit recipients (discussed also in the next section on national pensions, but see also STM 2005). Furthermore, in 2002 it was enacted (1290/2002) that the earnings-disregards for LMA must be raised if wage levels change considerably. However, Honkanen (2006a: 147) has noted that this remains unenacted, as the earnings-disregards have not been raised since 1991 (earnings-disregards have been raised for the income of spouses, but they have been decreased for single persons), which can mean that gradually even a relatively small income will be relevant for the means-test. In March 2002, an additional increase (of €0.84) was applied to the rates of unemployment benefits, but such small occasional raises are not enough to maintain benefit levels if the indexation systems lag behind (see also Honkanen 2006a).

## Easier access under the new unemployment Act in 2002

Only a decade after the previous revision, unemployment benefit arrangements were revised on 1st January 2003. This time, however, the changes in legislation (1290/2002) mainly widened access. The work history conditions (for Basic UB and Earnings-related UB) were set to either 34 or to 43 weeks depending whether persons had previously received unemployment benefit. The general requirement was that persons had worked for 43 calendar weeks during the previous 28 months, being more or less the same as earlier (10-month-condition).<sup>236</sup> Claimants who had earlier received a Basic UB or Earnings-related UB, but who became unemployed anew, must fulfil a slightly more relaxed condition of 34 weeks of employment during the last 28 months. The examination period (28 weeks) can be extended (to the maximum of seven years) in the case of illness, performance of military service, studies or child care immediately preceding unemployment. This made it a bit easier for people with less strict ties to the labour market to qualify for unemployment insurance. The only less favourable alteration affected the young, as LMA levels for persons living with their parents were made dependent on the parents' income (in any case, their benefit can be only (a maximum of) 50 per cent of the normal amount).<sup>237</sup>

## The thread of the reforms: Activation

The recession in the early and mid 1990s had left behind a long dark shadow: high unemployment. Although, the number of unemployed began to decrease from 1994, it remained higher than in the pre-recession years (Kela 2004: 72, Table 19). The biggest drop was seen in the numbers of people on Earnings-related UB: whereas by the end of 1993 more than 330,000 persons were claiming Earnings-related UB, this was reduced to 122,000 by October 2004. The number of people claiming LMA (often long-term recipients) decreased also, but more slowly: in the beginning of 1994 almost 200,000 people received the benefit, falling only to 140,000 in 2004. (Työministeriö 2005: 24) Looking at these statistics, it was understandable that the cabinet revisited the problem in the late 1990s and tried to bring people back to the labour market. In addition to changes within the unemployment benefit programmes as analysed next, amendments were made outside the unemployment Acts to improve the chances of the unemployed to (re)enter the labour market. For instance the Labour Service Acts (Työvoimapalvelulaki 1005/1993 and Laki Julkisesta Työvoimapalvelusta 1295/2002) introduced interviews, work search plans, and work search trainings. Furthermore, measures such as Combination Benefit (*yhdistelmätuki*, 1354/1997), Working Experience and Working Life Coaching programmes (*työharjoittelu* and *työelämä-*

236 Since 1998, Labour Market Assistance could be paid also as a part of Combination Benefit (*yhdistelmätuki*) for the employers to employ long-term unemployed persons.

237 Furthermore, the 2003 Act included the dismissal payment (*eroraha*) to unemployment benefit schemes, which meant that the earnings-related unemployment benefit level is raised for 130 days for those workers who have been dismissed due to economic reasons and who have a work history of more than 20 years.

*valmennus* 1431/2001), were implemented to activate the unemployed, but they operated outside the unemployment benefit programmes.<sup>238</sup> We concentrate here only on the multitude of reforms related to unemployment benefit Acts. Since 1998, there are at least four different ways that the legislator has encouraged people to work: 1) by altering the rules around the means-test, 2) by increasing work-related obligations for receipt, 3) by creating (financial) incentives to work, and 4) by limiting early exit through the unemployment pathway.

As discussed previously, the increases in earnings-disregards have facilitated easier access to full benefit, but they can also encourage claimants to work while being on benefit.<sup>239</sup> In 1997, the means-test could be abolished temporarily for claimants (for 180 days) for the time that they were participating in activation measures (680/1997). In 2005, the means-test was abolished for all persons participating in activation measures (1290/2002). In addition to acting as an encouragement to attend such programmes and measures, this change meant that people generally ineligible for LMA were granted the benefit.<sup>240</sup>

In addition to being available, seeking and accepting work, recipients have also been obliged (since 1984 Act) to compose a work search plan at the beginning of their unemployment, where the claimants' personal situation (education, work history) is reviewed and steps to find work are planned.<sup>241</sup> In 1997, a renewed job search plan was implemented after 500 days on benefit. In 2001, a new Act on Rehabilitative Work Activity (*Laki Kuntouttavasta Työtoiminnasta* 189/2001) was introduced for the young and long-term recipients: all young persons under 25 (after 180 days on unemployment benefit) and long-term unemployed (over 500 days on benefit) were obliged to make an activation plan. After their personal situation was reviewed the jobseekers were guided either to 1) work or training programmes (which included financial incentives as discussed shortly), 2) social and health services (for instance for rehabilitation, or substance abuse prevention), 3) guaranteed rehabilitative work activity organised by the municipality or third sector, or 4) if claimants refused the above activities, their social security benefit was reduced (HE 184/2000). Although, the Act was expected to (at least partially) abolish long-term dependency, it brought no drastic relief to the problem of long-term unemployment. By the end of 2004, more than half (57 per cent) of all claimants receiving LMA (136,000), were long-term claimants who had been on labour LMA for more than 500 days (see also Aho 2004). Furthermore, only 15 per cent of them were under the age of 25 for whom the programme was initially meant

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238 The unemployed taking part in such programmes were transferred from unemployment benefit scheme to the scheme in question. See also the description of activation programmes under the social assistance scheme, section 5.2.3.

239 In addition to claimants' earnings-disregard, also the spouses' earnings-disregards were increased in the 2000s. First in 2000, they were raised from €50 to €236 a month (HE 83/1999). In 2003, partner's income exceeding €536 (as opposed to €236) was taken into the calculation of claimants' entitlement.

240 The right was established even if the claimants were on the waiting day-period, for those under 25 (with no vocational education), or for those not satisfying the work condition or the means-test.

241 In 2006, all claimants were required to comply with the preparation of a work search plan immediately, as opposed to the previous situation where it took generally five months on benefit before this requirement took effect.

(Työministeriö 2005: 9–10). To tackle this chronic long-term unemployment and to bring the programme closer to its' initial intention as an activating programme, the LMA programme was revised in 2005. By introducing a society guarantee (*yhteiskuntatakuu*), the employment office introduced intensified employment opportunities to activate the long-term unemployed, but also hardened the sanctions for recipients refusing the activation measures.<sup>242</sup> After 500 days on LMA, a new active period was introduced.<sup>243</sup> Jobseekers are obliged to participate in meetings with the employment office where their situation is remapped. The jobseeker is also obliged to follow the plan made (and take part in activation measures) and the right to LMA can be abolished (until further notice), if the recipients refuse work or training, resigns or is dismissed through their own actions. Such work-related obligations have increased the obligations on benefit recipients and have provided the benefit administrators with more opportunities to sanction the recipients if they do not follow the rules, but at the same time, they have improved the rights and services an offer to jobseekers.

A large number of the reforms implemented since the mid 1990s have introduced new increases in benefit levels for those taking part in activation programmes or measures. Since 1995, Labour Market Assistance recipients have been able to make a claim for the Daily Allowance (*ylläpitokorvaus*) and the Accommodation Allowance (*majoituskorvaus*) during their participation in labour market training (1705/1995). In 1997, the Daily Allowance was also made payable for the long-term unemployed during a job experience period.<sup>244</sup> Similarly, in 2000, a Travelling Assistance (*matka-avustus*) became available for LMA recipients who accepted permanent full-time employment outside of their job search area (1089/2000). Generally financial incentives were directed only to LMA recipients only, but recently two increases have also supported the re-employment of the Earnings-related UB and Basic UB recipients (459/2005). First, an increase in unemployment benefit (*korotettu ansiolisä*) became payable for those satisfying the required work condition who lost their jobs due to economic reasons with at least 20 years work history. The increase is paid for a maximum of 150 days, but if claimants are participating in training programmes, the increase is paid during the training period. Second, an Employment Program Supplement (*työllistymisohjelmalisä*) was introduced and became payable for those who lost their job due to economic or production reasons, and who had at least three years' work

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242 The reform also alters the financing of LMA and Social Assistance paid to the long-term unemployed. Previously, the state was responsible for the costs of LMA, and the municipalities for livelihood expenses for which they received state subsidy. As of 2006, when a person has received LMA for more than 500 days of unemployment, the state and the municipalities split the financing of LMA during unemployment. A new financing model are hoped to create a strong incentive for increasing the number of different measures and enhancing the quality in the form of local cooperation.

243 The active period generally starts after 500 days, but for jobseekers, who have changed over to LMA after the Basic UB or Earnings-related UB period has expired, begins, it begins after LMA has been paid for 180 days.

244 As of 2001, the Daily Allowance (*ylläpitokorvaus*) and Accommodation Allowance (*majoituskorvaus*) payable for the recipients of Labour Market Assistance while participating an activation measures, were made payable in another law. The Accommodation Allowance abolished in the same law, and Daily Allowance rose from €5.05 to €7 a day. Also a higher rate of Daily Allowance (€14 a day) was made payable for claimants participating in training outside of their job search area.



record, or for those who have had a temporary work contract for the last three years, or have worked on a temporary work contract for one employer for at least the last 36 months (of 42 months). The supplement was paid for a maximum of 185 days. All these measures aimed at encouraging beneficiaries to take steps towards re-entry to the labour market.

Finally, the reforms since 1998s have restricted early retirement through an unemployment pathway. In 2002, the extra day rules for older workers were tightened. Persons born prior to year 1950, remained eligible for extra days after turning the age of 57, but persons born after 1950 must be 59 before the expiration of the maximum duration (500) on benefit, and they must additionally have worked at least five years during the last 20 years in order to be granted the benefit. The duration of extra days was at same time extended from 60 to 65, but this was related to the fact that the unemployment pension (which usually compensated the income for 60–65 years olds) will be gradually abolished (closing down another early retirement route).<sup>245</sup> In May 2005, however, a new early exit benefit was introduced for older unemployed persons with a modest chance of gaining employment. This Pension Assistance (*pitkäaikaistyöttömien eläketuki* 39/2005) basically replaced the gradually ending unemployment pension. It is payable for persons living in Finland, born between 1941–1947 who have received unemployment benefits for a very long time.<sup>246</sup> The payment level depends on the individuals' work history, but is at least at the level of the national pension.<sup>247</sup> Eligibility for pension assistance continues until the end of the month in which the unemployed person reaches the age of 62. Persons aged 62 or over are entitled to an old-age pension without suffering any early retirement penalty in the amount of the pension. Although the programme is an old arrangement under a new name, its introduction moved individuals away from the unemployment pathway to a regular pension pathway.<sup>248</sup>

#### Conclusion of the Finnish unemployment benefit reforms

Although the number of reforms to unemployment benefit programmes during the last 26 years has been large, we can conclude that, while there have been considerable

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245 A comprehensive pension reform entered into force on 1 January 2005 (HE 242/2002). The reform is discussed more in the Appendix 3, but generally the minimum qualifying age for a pension was made flexible and people can choose to retire between the ages of 62 and 68 years. The age-limit of the unemployment and sickness benefits schemes was raised from 65 to 67 years. Furthermore, with regards to the unemployed, the reform provided that unemployment pension will gradually cease to exist (last claims can be made in 2008) and older persons are encouraged to keep on working (by raising future pension payments for every year that they worked between the age of 62 and 68).

246 Claimants must have received unemployment benefits for at least 2,000 days.

247 The Pension Assistance is made up of a national pension and an earnings-related pension component. In determining the amount of the national pension component, any earnings-related pensions received by the claimant count as income.

248 Furthermore, to encourage employers to hire older workers, a temporary Act (39/2005) was implemented that reduces the costs of hiring older people (aged 54 or older and who salary is above €900 a month but below €2000).

changes to the position of benefit recipients, no radical reforms have been enacted to unemployment benefit legislation. Economic growth in the 1980s contributed to an expansion of the unemployment benefits programmes and the policies implemented intertwined rather around the problems of labour force demand than its supply. It was not until the early 1990s that reforms of the benefit programmes became concerned with cutting cost and reducing the number of claimants. Since the 1990s the changes in benefit programmes alleviated structural problems of high unemployment, cut costs, and increased conditions and obligations for claimants. Since the mid 1990s onwards, the emphasis of the reforms was shifted to activation (of long-term unemployed). In the early 2000s a few improvements have been made to benefit rights, but eligibility has been tied more closely to claimants' efforts to gain employment. The Table 5.1 (p. 200) sums up the developments around unemployment benefit rights and conditions in Finland between 1980 and 2006, which we will discuss more widely below.

The unemployment benefit programmes remain reasonably comprehensive in Finland. In addition to waged workers (including the self-employed) people without (close) ties to the labour market are covered. A few categories have been excluded throughout the years observed here, such as students, pensioners etc, but in practise it was already very difficult for them to qualify earlier. A particular Finnish characteristic is that part-time workers are not generally included in the programmes discussed here, rather benefits are primarily directed to full-time workers. Although the coverage might be considered comprehensive (including workers with and without work history), there is a great difference (particularly in the payment levels) whether one receives insurance or flat-rate benefits as discussed shortly.

For workers, the work history condition has been tightened only with four months in the last 26 years. The requirement of ten months of work history (and membership of an unemployment insurance fund) is reasonably moderate. Recently the link to work has been loosened by allowing actives outside of waged work (child care, military service etc.) prior to employment to extend the qualifying period for establishing the right to unemployment insurances. Access to the means-tested LMA presumes that claimants are in need of financial aid. What is common to all claimants of unemployment benefit in Finland is that all claimants are now obliged to be (full-time) available for, actively seek and accept suitable work or training immediately. This applies also to the older unemployed, who in the past were often freed from these obligations. The search for work has, however, become more of a responsibility for the claimants, rather than a duty for the municipalities as it was earlier. With regards to the level of benefits, legislative developments (with the exception of the recession years) seem to have been rather favourable, as no radical cuts have been implemented. Earnings-related UB was considerably raised in the early 1980s and currently it still compensates for the loss of earned income. At the same time, the duration of the benefit (500 days) has not been touched, which has been very beneficial for the claimants. However, there have been creeping reductions to benefit levels for they have not always been adjusted to reflect changes in the cost-of-living. However, as Earnings-related UB is calculated in relation to past earnings, the consequences of sustaining indexation have remained limited.

**Table 5.1.** *Changes in benefit conditions and rights under unemployment provision in Finland.*

	The 1980s	1991–1997	1998 onwards
<b>ELIGIBILITY</b>			
Scope of persons	<ul style="list-style-type: none"> <li>– Residents of Finland included</li> <li>– The access of claimants under 18 restricted</li> <li>– Full-time students removed</li> </ul>	<ul style="list-style-type: none"> <li>– New comers longer waiting period to qualify</li> <li>– Self-employed included in unemployment benefits</li> <li>– People on rehabilitation and training subsidy transferred to another programme</li> </ul>	<ul style="list-style-type: none"> <li>– Age limit for unemployment benefits extended from 65 to 67 years.</li> </ul>
Requirements	<ul style="list-style-type: none"> <li>– Stricter conditions to be available and accept suitable jobs</li> <li>– Older unemployed no need of financial need for minimum benefit</li> <li>– Earnings-disregards raised</li> </ul>	<ul style="list-style-type: none"> <li>– Longer work history required (10 months)</li> <li>– Self-employed require longer work history than others</li> <li>– Stricter conditions for all to be available for work</li> <li>– Much harder to refuse a job offer</li> <li>– The young under 24 eligible to LMA only during activation measures</li> <li>– Wider access to LMA if participating in activation measures</li> </ul>	<ul style="list-style-type: none"> <li>– Softer work history condition (for renewal),</li> <li>– Establishing work history eased (caring children, military services counted in)</li> </ul>
<b>ENTITLEMENTS</b>			
Level	<ul style="list-style-type: none"> <li>– Level and increases raised</li> <li>– Indexation 1984–1991</li> </ul>	<ul style="list-style-type: none"> <li>– Earnings-related percentage cut (returned later)</li> <li>– Freeze of indexation, lower increases</li> <li>– Lower rates to young (living at home)</li> <li>– Child increases cut –40%</li> <li>– Increase for insurance benefit (for older workers)</li> </ul>	<ul style="list-style-type: none"> <li>– Level and increases indexed</li> <li>– statutory indexation</li> <li>– Child increases cuts (–40%) returned</li> <li>– Pension assistance for long-term unemployed</li> </ul>
Duration	<ul style="list-style-type: none"> <li>– Earnings-related benefit duration extended</li> <li>– Extra days for older people</li> </ul>	<ul style="list-style-type: none"> <li>– Insurances duration set to 500 days</li> </ul>	<ul style="list-style-type: none"> <li>– Extra days limited (unemployment pension abolished)</li> </ul>
<b>ADDITIONAL CONDITIONS</b>			
Obligations	<ul style="list-style-type: none"> <li>– Young and disabled must accept an offer from the municipalities, which must seek work for them</li> </ul>	<ul style="list-style-type: none"> <li>– Activation plans for long-term recipients</li> <li>– Job search plan (responsibility for claimant)</li> <li>– Rehabilitative work activity (plan)</li> </ul>	<ul style="list-style-type: none"> <li>– Tighter individual work search plan introduced for long-term unemployed</li> <li>– Active period for LMA (for long-term unemployed)</li> <li>– Must follow the work search plan immediately</li> </ul>

Sanctions	– Stricter sanction rules	– Sanctions increased for refusing work or not following the activation plans – Sanctions tightened	– Abolition of right to LMA if refusing etc. work
Incentives for work		– No means-test in LMA when participating on activation measure – Wider access to LMA if participating in activation – Daily allowance and accommodation allowance – Work search plans (the activation measures outside unemployment benefits)	– Tailor-made work search plans – Travelling allowance and other financial incentives – Active period – Rehabilitative work activity

This is not, however, the case for the benefits paid under Basic UB and LMA. While no radical cuts have been implemented, creeping reductions have been implemented. The levels of Basic UB were raised in the 1980s, but during the recession years their levels have lagged behind as they have not been regularly adjusted since 1991. Our claims are backed up by Honkanen (2006b) who shows that due to the suspension in indexation the real value of the full Basic UB and LMA benefit is today (in 2006) lower than it was at the beginning of 1991, that is, 15 years earlier. Honkanen (2006b: 9–10) also shows that if the benefits had been raised regularly since 1985, it should have been around €30 a month, rather than €23.50 as in 2006. These kinds of creeping changes can thus have significant consequences. Furthermore, our analysis shows that the young living at home have experienced direct cuts to their benefit rate and receive today lower benefit than other claimants. There have been no changes in the duration of means-tested LMA, which is paid for unlimited duration, providing that other conditions are satisfied. But as discussed next, claimants no longer remain claiming benefits, rather they are subject to increasing activation measures.

Active labour market policies have always been closely related to unemployment benefit provision in Finland, but the spectre of the recession made it essential to increase the number of such measures since the mid 1990s. The abolition of the means-test for those in activation programmes, increasing obligations in form of work search plans and regular interviews, and improving financial incentives to work are all aimed at bringing people as soon as possible back to the labour market, in order to cure the Finnish disease of structural and chronic long-term unemployment. As discussed above, although more responsibilities are given to the claimants themselves, the state has also increased the availability of services for the jobseekers in return.

### 5.2.2 Reforming Finnish sickness and disability benefit programmes

In this section, related to its special nature (see Chapter 2), we analyse the sickness benefit and disability benefits programmes separately.<sup>249</sup> Before analysing changes in benefit rights and conditions, we look briefly at the situation regarding sickness and disability provision in 1980, as portrayed in Figure 5.4.

The National Sickness Insurance programme, introduced by the Sickness Insurance Act (Sairausvakuutuslaki 364/1963) and Decree (Sairausvakuutusasetus) 473/1963), provided refunds for medical expenses as well as cash benefit for the loss of earnings due to sickness and maternity. Our analysis is concerned only with those cash transfers relating to sickness benefits. Basically, sickness benefits included two provisions: an Earnings-related Sickness Benefit (for most employed and self-employed) and a Minimum Sickness Benefit for people with a very small wage income (under €2,254 a year) or no income at all, such as students, housewives, unpaid family workers etc.

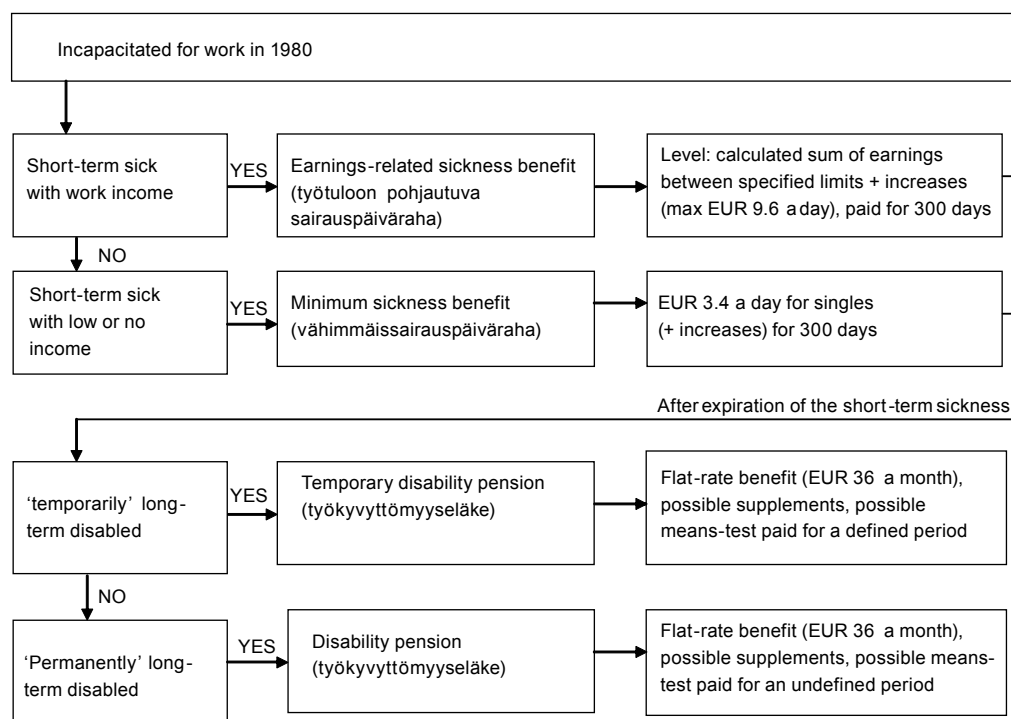


Figure 5.4. Route to Finnish sickness and disability programmes in 1980.

<sup>249</sup> Long-term disability provision in Finland is generated through a national pension scheme (see Chapter 2), which fundamentally differs from the insurance benefits generally discussed under the sickness and disability benefits in our study. In order to keep the distinction more clear, we analyse the two schemes separately within this section.

A requirement to receive any of these cash transfers was that the claimants had to have worked or studied at least the last three months prior to becoming ill. Work was defined very broadly; among other activities it included working in one's own household. No Sickness Benefit was paid for the first seven working days, not counting the day on which incapacity began.<sup>250</sup> Neither was it paid beyond the maximum duration of 300 days. To re-qualify, claimants must have worked for one year in between receipts. The Earnings-related Sickness Benefit was paid for working days only, and the amount was 1.5 per mille of the annual earnings for the previous tax year, within specified limits.<sup>251</sup> In 1980, for a single person the maximum benefit paid was €6.40 a day.<sup>252</sup> Person with low or no wage income were entitled to the Minimum Sickness Benefit: the lowest daily benefit for a single householder was €3.40. Sickness Benefits could be supplemented with an increase for spouses (15 per cent) and for each child under the age of 16 (ten per cent).<sup>253</sup>

After the expiration of the Sickness Benefit (300 days), persons who were still incapacitated for work might claim the National Disability Pension under the National Pension Act 1956 (or to employment pensions under specific Employees' Pensions Acts). We limit our analysis, as elaborated already in the Chapter 2, to the disability provision paid under the National Disability Pension (or Disability Pension as called hereafter). In 1980, the Disability Pension was payable to insured people under retirement age who were incapable of work, i.e. unable to maintain themselves by their usual work or any other kind of work which, considering their age, occupation, and other similar circumstances, would be suitable for them. The Disability Pension was a complex programme. Unlike employment disability pensions, the national Disability Pension was only paid for full disability (if at least 60 per cent of work capacity was lost). No partial disability pension was paid. The only distinction was that the pension was either paid without a time limit (temporarily) or permanently. The benefits could be paid as a basic amount (*perusosa*), an additional component (*tukiosa*), an assistance supplement (*tukilisä*), a housing allowance (*asumistuki*) and/or a helplessness supplement (*apu- ja hoitolisä*). For some of these components a means-test applied.<sup>254</sup> Persons could also claim a wife increase (*vaimolisä*), a child increase (*lapsikorotus*) and/or a front-veteran's supplement (*rintamalisä*). The basic amount was paid in the end of 1980 at the rate

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250 Employers, however, often compensated these waiting days according to the collective agreements.

251 The minimum limit was €2,254 a year and the maximum limit for wage income was €4,289 a year.

252 When measuring the amount of Sickness Benefit, the yearly work income of the previous taxation year was calculated. This meant that for the benefits granted in 1980, the income in 1978 taxation was used. If claimants' income for work had been remarkably lower than normal due to unemployment or sickness, they were allowed to present an account of their earnings during last six months or shorter period.

253 The spouse and child increases could however generate only a maximum daily benefit of €9.6 a day. Married beneficiaries qualified for these increases only if their earnings equalled or exceeded their spouse's income.

254 The basic amount, the wife increase, the child increase, the helplessness allowance and the front-veteran's supplement were universal benefits. The additional component, the assistance supplement, the housing allowance and the front-veteran's pension embedded the means-test and the rate of these components decreased in proportion as the claimants' annual income from other sources exceeded a fixed maximum. Furthermore, the means-test was harder under the assistance supplement and housing allowance than under the additional component.

of €36 a month. The wife increase was paid at the rate of €33 a month and child supplement (under the age of 16) was €19.50 a month at year end. A smaller helplessness supplement of €33 a month was payable to pensioners over 80 years old and to blind or otherwise helpless pensioners not receiving long-term institutional care. A larger helplessness supplement of was €49 a month was payable to pensioners over 85 years old and to pensioners in need of constant care and supervision not receiving long-term institutional care. The front-veterans supplement, payable to all veterans drawing the national pension and all male and female veterans of the 1918 war, was €10 a month. Figure 5.5 describes the developments between 1980 and 2006.

The Earnings-related Sickness Benefit programme has remained relatively similar since 1980, but the Minimum Sickness Benefit programme has witnessed more structural changes. In 1995, it was abolished and replaced with a new Means-tested Sickness Benefit. In 2001, however, the means-tested benefit was abolished, and a new Minimum Sickness Benefit was introduced. The Disability Pension has remained relatively similar throughout the years, but the temporary Disability Pension benefit was replaced in 1995 with a Rehabilitation Subsidy. Simultaneously, a separate programme of rehabilitation allowances was introduced for the young. Since 1985, an Individual Early Retirement pension existed for older workers with diminished capacities for work. The programme has, however, been phased out starting from January 2004 and is no longer available for new claimants. Figure 5.6 portrays the current programme in 2006.

In 2006, Sickness Benefits are formally paid in respect to work incapacity due to an illness. Its amount can be linked to previous earnings or certain preceding benefits. If the claimant has no employment (income) history, a Minimum Sickness Benefit (*vähimmäismääräinen sairauspäiväraha*) can be awarded after a longer waiting day-period (55 days). People with work income are granted Earnings-related Sickness Benefits (*työtuloon pohjautuva sairauspäiväraha*) related to their past earnings. After 300 days, the (National) Disability Pension takes over the provision in respect to incapacity for work. National pensions are paid in proportion to any other pension income to which the recipient may be entitled, and in practice, it is only granted to those who either do not qualify for any other type of pension or whose income is small. The National Disability Pension can be granted either indefinitely or for a specific period, in which case it is referred as the Rehabilitation Subsidy (for Finnish disability pensions, see also Gould 2003). Currently, persons under 20 years of age cannot get a Disability Pension until their rehabilitation prospects have been assessed and until their entitlement to a specific Rehabilitation Allowance for the young has expired. The former early retirement programmes are no longer available for new claimants. The conditions and rights related to these programmes have also undergone considerable changes during the last two and half decades, as will be elaborated in the next section.

1980	1985	1995	2001	2006
<b>Sickness benefit</b>				
Earnings-related sickness benefit				
Minimum sickness benefit		Means-tested sickness benefit	Minimum sickness benefit	
<b>National disability pension</b>				
Full disability pension for unspecified period				
(Partial) disability pension for specified period		(Temporary) Rehabilitation subsidy		
		Rehabilitation allowance for the young		
	Individual early retirement pension			

Figure 5.5. Chronological time-line of the changes in the Finnish sickness and disability benefit programmes 1980–2006.

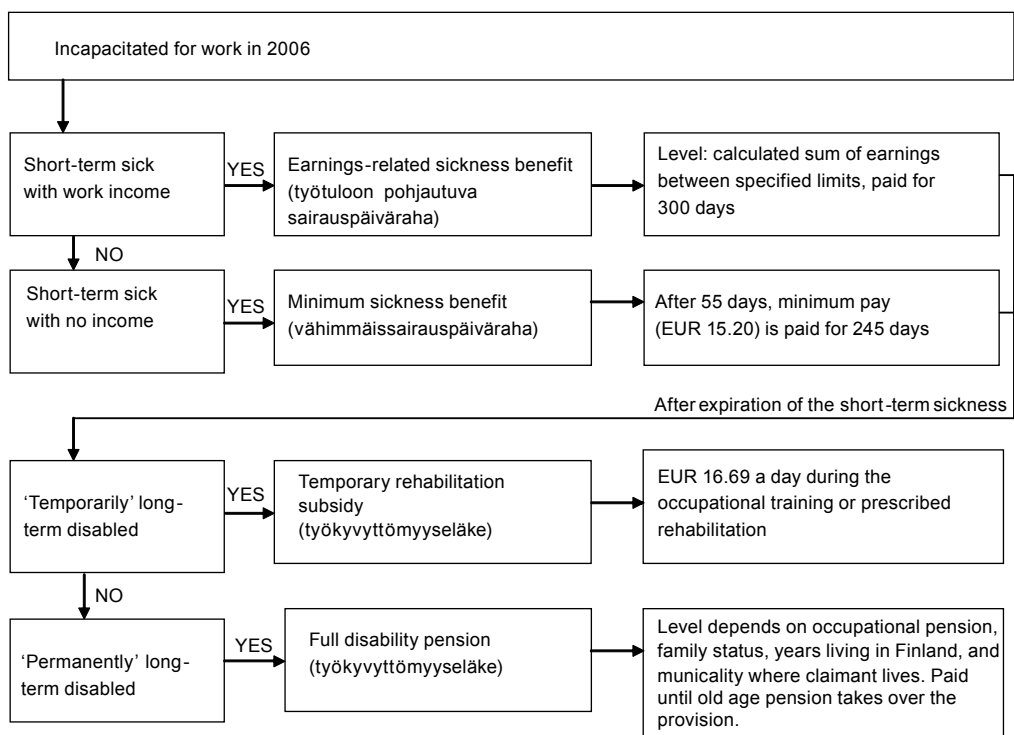


Figure 5.6. Route to Finnish sickness and disability programmes in 2006.



## Changes in Sickness Benefit rules in Finland 1980–2006

Three distinctive periods can be again distinguished as follows: expansion in the 1980s, restrictions in the 1991–1997, and gradual recovery of rights from 1998 onwards.

## Expansion of the rights in the 1980s

Similar to the reforms implemented for unemployment benefit discussed earlier, the 1980s experienced an expansion of rights for people claiming sickness benefits. By 1980, a vast number of employees had reached the ceiling and the income-related part of sickness benefit had turned out to be a flat-rate programmes (see e.g., Kangas 1991). The new Sickness Benefit programme, introduced in 1981, was a more comprehensive and generous arrangement (471/1981). Sickness Benefit was made a primary provision, meaning that other disability related benefits (e.g. national pension) were not given until it was shown that the claimants had no rights to a Sickness Benefit, or, until the maximum duration on Sickness Benefit had expired.<sup>255</sup> The scope of the programme was wide since most disabled persons, from wage workers to married housewives and students were incorporated in the programme, providing that they satisfied the Finnish residence condition. Similar to the previous programme, sickness benefits were payable as an Earnings-related Sickness Benefit for waged workers and as a basic Minimum Sickness Benefit for others. What considerably changed under the 1981 Act were the levels of entitlement. The levels of former Sickness Benefit lagged seriously behind other insurance benefit levels, because they had not been adjusted since the early 1970s (HE 54/1981). Earnings-related Sickness Benefit was now set to 80 per cent of claimants' previous daily wage and Minimum Sickness Benefit was set to €4.6 (in 1.1.1982) for persons without waged income (Liskola 1982). Although, sickness benefits were further subjected to tax, the average Sickness Benefit entitlement was considerably raised between 1981–1982 (see e.g., Niemelä 1992: 24). Furthermore, sickness benefit rates had been linked to general indexation in 1980, which automatically raised benefit levels when the cost-of-living increased, unless decided otherwise. A degressive table was taken into use in 1983, which determined the claimants' benefit levels within certain income frames and percentages (HE 144/1983). The percentages were set at 80, 50, and 30 per cent and the income limits were up to €12,614, above €12,614, but under €20,183 and above €20,183.<sup>256</sup> The legislator estimated that this table would cut benefits so much that a ceiling for benefits was not necessary (HE 144/1983). The introduction of this table lowered entitlements as persons' income increased, but the new structure provided higher sickness benefits for all. The degressive table was linked to employment pension indexes that adjusted benefits generously to increases in the wages. Finally, a separate Decree raised the regular increases for dependent children:

255 Regarding the priority of sickness benefit, pensioners receiving front-line soldier early-retirement pensions were excluded a year later (1982) from receiving sickness benefit.

256 An example may clarify this. A person earning, say, €14,296 in 1983, received 80% until the limit of €12,614. The remaining income, that is €1,682, was calculated with only 50 per cents.

increases for one child under 16 were set to €0.72 and for two or more children to €1.4 (639/1981).<sup>257</sup> The duration was not altered under the new Sickness Benefit programme, so that the maximum period on Sickness Benefit remained on 300 days.<sup>258</sup>

#### Step away from universalism in the 1990s

The reforms up to 1991 generally manifested improvements for sickness benefits levels and the number of recipients claimants grew gradually: from 369,100 in 1980 to 397,900 in 1990 (Kela 1992: 137, Table 71). However, the overheated Finnish economy in the early 1990s led to a situation, where generous social provision became unsustainable. Cuts for sickness benefit rights and stricter qualification conditions were implemented and most essentially, a new Sickness Benefit Act was introduced in 1995, which ended the universal sickness benefit provision, and introduced a Means-tested Sickness Benefit instead.

#### Changes in benefit rates in the early 1990s

Between 1983 and 1995, the percentages of the degressive table were reduced from 80 to 70, from 50 to 40 and from 30 to 25 respectively, but at the same time the income frames were significantly widened: to up to €21,864, over €21,864 but not above €33,638, and above €33,638 in 1995.<sup>259</sup> This meant that claimants most likely received higher benefits than before, (but not as high as with the original percentages). Furthermore, the waiting day period for sickness benefits was increased from seven to nine days (1653/1992). This was a relatively significant change and research shows that Sickness Benefits claims reduced by 10 per cent (Niemelä and Maljanen 2000: 25). However, waged workers did not necessarily notice any change, as (based on collective agreements) employers often paid (up to 100% of the wages) during the first 1–3 months of sickness period depending on their collective agreements. Furthermore, benefit entitlements were cut between 1994 and 1998, while pension and social security benefits were not raised annually in line with the cost-of-living. Again, the suspension of indexation hit the people claiming Minimum Sickness Benefit hardest. Wage workers' benefits were less affected as they were related to the claimants' past earnings. Finally, under Family Support reform (1994), child increases linked to insurance benefit were gradually removed between 1993 and 1995. However, although the child increases

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257 Small technical amendments (1981) replaced the former guardian supplement (*huoltajalisä*) with child supplement (*lapsikorotus*), but the alteration did not change the rules.

258 Furthermore, related to integral taxation reform in the beginning of the 1990s, the benefit levels of the sick unemployed were raised. The Act in 1990 made the unemployment benefit payable for five days a week, whereas Sickness Benefit was to be paid for six days a week. The reform guaranteed that if unemployed persons fell ill, their sickness benefit was at least the level of their unemployment benefits. As a result, the sickness benefit of an unemployed person was raised in July 1991 to 86 per cent of the unemployment benefit.

259 The income frames were almost doubled as they had been (since 1981) up to €12,614, above €12,614, but under €20,183 and above €20,183.

were abolished, a more generous child allowance provided compensation. To relieve the consequences of the suspension of the general indexation level, a rise of 2.8 per cent was applied to low Earnings-related Sickness Benefit (under €17 day) in 1994. However, this was only a temporary gesture and had little impact on the level of these entitlements. Sickness benefit rates for students were also raised. Rather than receiving only Minimum Sickness Benefit as they did before, the student's sickness benefit was set as 86 per cent of the Study Allowance (65/1994). In many cases, however, the payments remained very low. Students, who had work income in the previous taxation period, could claim Earnings-related Sickness Benefit.

#### Enhanced rehabilitation

In the early 1990s, more attention was paid to enhanced rehabilitation. Since 1991, a rehabilitative activity requirement had been laid down in a new Rehabilitation Allowance Act (Kuntoutusrahalaki 611/1991).<sup>260</sup> It encouraged workers to remain in or return to work and provided that after 60 days of sickness benefit, recipients' rehabilitation needs were assessed. If the rehabilitation was initiated, the recipient was transferred to Rehabilitation Allowance and the payment of Sickness Benefit ended. The Act aimed at preventing the long-term receipt of Sickness Benefit by returning workers more efficiently back to work.

#### New Sickness Benefit Act 1995

In 1995, a larger revision of sickness benefit took place (for more of this 1995 Act, see, e.g., Niemelä and Maljanen 2000). In addition to small alterations in the scope of persons eligible, the new Act (1500/1995) linked the right to sickness benefit more closely to past employment, made the minimum benefit means-tested, and implemented more conditions related to rehabilitation.<sup>261</sup> Since 1996, sickness benefits were considered to primarily compensate lost income due to illness, whereas before they provided a source of income to all residents during a period of incapacity (to compensate for earnings). For most recipients receiving (earnings-related) Sickness Benefits very little changed.<sup>262</sup> The changes had the most significant effect on people claiming minimum provision under sickness benefits. Minimum Sickness Benefit was abolished and people with a low work income (under €841 a year) were covered by Means-tested

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260 In 2005, this was replaced by a new law (Laki Kansaneläkelaitoksen kuntoutusetuuksista ja kuntoutusrahaetuuksista (566/2005). The established the following benefits: Rehabilitation Allowance (*kuntoutusraha*), Daily Allowance (*ylläpitokorvaus*) and Discretionary Rehabilitation Subsidy (*harkinnanvarainen kuntoutustuki*).

261 The scope of person was also tightened in 1995. From then on, persons in any institutions (hospitals, caring facilities or other such places) could no longer claim Sickness Benefits as they were generally provided for by the institution in question. Furthermore, the right of people in military service (when recovering from the illness) to claim Sickness Benefit (in 1989) was abolished.

262 In the year prior to the reform (1994), 283,200 persons were claiming Sickness Benefits and approximately 14,000 persons were receiving Minimum Sickness Benefits (see e.g., Niemelä and Maljanen 2000).

Sickness Benefit. The comprehensive coverage of the sickness benefit programme was thus preserved, but the rules for minimum benefits were tightened: to be eligible for Means-tested Sickness Benefit, claimants first had to satisfy a longer waiting period of 60 days before qualifying for the benefit. Furthermore, as the name suggested the benefit was means-tested, and the means-test applied (similar to the means-test under Labour Market Assistance) to the recipients' own income and their spouse's income exceeding €50 a month (at year end 1996). The level of the Means-tested Sickness Benefit varied between €2 (minimum) and €10 (maximum) per day (in 1995) depending on claimants' (households') income, in most cases it was higher than its predecessor. However, the benefit was no longer adjusted in line with changes in the cost-of-living, so over time benefit rates decreased (Honkanen 2006a). Furthermore, the new programme provided benefits for a much shorter duration: for a maximum period of 60 days compared to 300 days under the previous programme.<sup>263</sup> In all, the reform was unfavourable for ill people with a low income: it was more difficult to access the benefit (for instance, due to a longer waiting period) and the entitlements remained less favourable due to the means-test and the shorter duration. The tougher access rules were indicated also in the evaluation study of the 1995 reform, where Niemelä and Maljanen (2000) reported that number of recipients of the Means-tested Sickness Benefit has not exceeded (1995–2000) 1,500 per year, and remained much lower than under its predecessor.<sup>264</sup>

A return to the residence-based provision in the 2000s, but with stricter conditions

Changes in the 2000s brought about improvements in cash transfers for the sick. Most importantly, the means-test under sickness benefit was abolished under the Sickness Benefit Act of 2001. Only five years after the previous revision, the sickness benefit programme was revised again in 2001 (1479/2001). Sickness benefits remained payable in respect of work incapacity due to an illness, but the means-test under the programme was abolished. From then on, the amount of sickness benefit could be linked to previous earnings or certain preceding benefits under Earnings-related Sickness Benefit, or it could be paid at the minimum rate. To cover the latter, a new Minimum Sickness Benefit (*vähimmäismääräinen sairauspäiväraha*) was introduced. The rate of the benefit was set to €10.09 per day (in 2001), but like the former means-tested benefit it became payable after a longer waiting day period (55 days). The entitlements have been improved by raising the amounts for students in 2001 and indexing Earnings-related Sickness Benefit annually.<sup>265</sup> However, Minimum Sickness Benefit, although

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263 Only six months later, in 1996, access to means-tested benefit was made more difficult. The means-tested sickness was no longer paid, if the payable Sickness Benefit (for 25 days) remained under €10 a week (that is, €0.40 per day). The government justified the change by arguing that the payment of very low benefits is not adapted to purpose neither for the claimant nor for restitution arrangements (HE 23/1996).

264 Niemelä and Maljanen (2000) also state that in common with the recipients of the minimum daily allowance before, claimants of means-tested Sickness Benefit are for the most part relatively young men with lengthy periods of work incapacity typically caused by problems of mental health.

265 In 2001, the amount of Sickness Benefit for students was raised to the level of Study Allowance (*opintoraha*). However,

raised occasionally (e.g. in 2003), is not indexed annually, so the real value of these benefits have not followed the economic developments in the country.

#### Changes in disability benefit rules 1980–2006

Acknowledging that long-term disability provision is provided through the national pension programme in Finland (rather than through separate sickness or disability benefit programme as elaborated in Chapter 2), we discuss this programme separately. The developments in disability benefit reflect only two distinctive periods: expansion until 1995 and restrictions thereafter.

#### Great expansion of the social rights in the 1980s and National Pension Act 1982: Abolition of the means-test and raising levels

Since the 1970s, the national pension programme was reformed in order to introduce full universalism and to provide a guaranteed minimum income for the retired population (HE 98/1981). This culminated in the Pension Reform of 1982. Furthermore, new early retirement programmes were implemented to facilitate the exit of older workers, whose work capabilities had diminished. Finally in the early 1990s, following entry to the European Union, pension rules were altered to harmonise the national system to meet the European regulations. The National Pension Act (572/1982) smoothened the means-test in income-related (additional) components: the work income (either recipients or their partners) no longer affected the level of the supplementary part. The Act also renamed<sup>266</sup> the benefits and raised entitlements considerably by increasing the base amount rates, introducing one higher rate of child increase, and extending the right to spouse increases to both genders.<sup>267</sup>

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at the same time, the minimum period having received other social security benefits was extended from three months to four months for students and unemployed.

266 The changes were cumulatively implemented between 1980 and 1985. The basic amount (*perusosa*) of national pension was renamed as base amount (*pohjaosa*). The levels of base amount were raised from €36 to €42 a month in 1983. The additional component (*tukiosa*) and *tukilisä* were combined into a supplementary part (*lisäosa*), and its means-tested was smoothened. The rates of supplementary part were set to €189 or €179 a month in 1983 (depending on the municipalities where the recipient lived) for singles and claimants with spouses received an additional €151 or €143 a month in 1983 (also depending on home town). A care supplement for pensioners (*Eläkkeensaajan hoitotuki*) took over the provision of previous helplessness supplements.

267 In 1982, the municipal differences were abolished under the child increases and only one rate of child supplement (for children under 16) was available after this, which also provided higher and more equal payments. Furthermore, the wife increases (*vaimolisä*) were amended to spouse increases (*puolisolisäksi*), which were also made payable for both genders. Later amendments in the 1980s have altered the access to the national Disability Pension. In 1982, persons receiving Unemployment Pension (499/1971) who become incapable for work were immediately transferred to the national Disability Pension scheme (572/1982). As both schemes functioned under the national pension scheme, the change meant very few differences in conditions for benefit receipt, except that under Disability Pension medical assessments stricter conditions (related to rehabilitation) to the recipients were implemented.

### Enhanced opportunities for early retirement

To complement the national pension programme, three flexible pension age arrangements were introduced in 1985: the Individual Early Retirement programme, Early Old-age Pension programme, and Part-time Pension programme (670/1985). As explained in Chapter 2, only the Individual Early Retirement Pension programme (*yksilöllinen varhaiseläke*) is discussed here in more detail. The programme provided benefits for wage workers or the self-employed aged 55–64 whose work capability had diminished, due to illness or disability.<sup>268</sup> The medical disability assessment under the early exit programmes was much less onerous than that under the Disability Pension: whereas the disability assessment under Disability Pension required that the person was incapacitated for suitable work (in respect to their age and skills), the early retirement programmes required only diminished work capabilities. Therefore, even though the programme was linked to disability, it was rather a complementary pension programme for workers with a long work record, who wanted to retire early. The benefit rate was equal to the Disability Pension, but claimants under the Individual Early Retirement programme were allowed to have a modest work income (maximum €116 a month) while receiving the pensions. After reaching retirement age (65), recipients received an old-age pension paid at the same rate.<sup>269</sup>

### Redefinition of eligibility for national pensions

On entry to European Economic Area (EEA) in 1994, the eligibility requirements in Finnish pension legislation had to be altered. The Decree 1408/71 (14 June 1971) concerning the application of social security programmes to employed persons, to self-employed persons and to members of their families within the community (see more e.g., Sakslin; Rentola and Klemola 1998) brought about many changes. Claimants had to have resided at least three years in Finland to become eligible to the national pension as before, however, the full benefit was only available for claimants who had lived 40 years or longer in Finland between the age of 16 and 65 (547/1993).<sup>270</sup> If the claimants have lived less than 40 years in Finland, the benefit was reduced proportionally to the years of absence.<sup>271</sup> Furthermore, foreign payments (generally pensions,

268 The early retirement benefit could be also paid due to factors related to age, a long work record, or mental or physical wearing caused by long-term employment, meaning that continuing at work would be considered detrimental.

269 Four years later (1989), eligibility requirement to the Individual Early Retirement Pension was tightened, when the claimants were required to have stopped working (or their income must have dropped) at least 360 days prior to the beginning of a disability that leads to a pension. This made the access to benefit slightly harder.

270 Since the introduction of the National Pension Act (347/1956), only the residents of Finland were eligible to national pensions. The condition of residence was, however, rather subtle as the pension accumulation started to accrue after only five years of residence.

271 In principle, the change meant that persons over 65 moving to Finland could claim no national pension. To deal with this problem, in 2002 a separate Reintegration Benefit (*maahanmuuttajan erikoistuki* based on the law 1192/2002 and degree 194/2003) was created for immigrants over 65 residing in Finland or incapable for work, who receives no full national pension due to an insufficient period of residence in Finland. The benefit amounts to the full national pension, but it is income-tested: all income reduces the benefit. Spouses' wage income as well their capital assets are

but also unemployment and sickness insurances too) were considered equal to those benefits paid in Finland, and therefore they must be considered when awarding pensions or other social security benefits. In practise, sickness benefit recipients of other European countries, could now claim disability pensions if they moved to Finland (HE 206/1994).

The end of the universal national pension provision, from 1995 onwards

Developments since 1995 have linked pensions more tightly to work. On the one hand the reforms have made the national pension programme subordinate to employment pensions (by making the right to national pensions depending on the other pension income the claimant has) and on the other hand, the claimants of national Disability Pension have faced increased activation measures trying to re-introduce them to the labour market. Additionally, early exit routes from the labour market have been largely closed down.

Act 1995: Introduction of testing against legislated pension income

Only 12 years after the previous revision of the Finnish national pension, the reform that Kangas (1994b) claimed brought Finland into the group of Nordic welfare states, the national pension programme was fundamentally reformed. In the 1995 Pension Act (1491/1995), the base amount (*pohjaosa*) and the supplementary part (*lisäosa*) were united into one pension benefit and the new national pension was tested against any pension income from legislated (public) pension programmes.<sup>272</sup> The national pension was now granted only if the claimant had little or no other pension income. This was expected to reduce the number of national pension claimants, not only in the case of old age pensions, but also for disability pensions, given the increasing coverage and entitlements of employment pensions. In principle this was a radical reform. However, even though the universal benefits were replaced with 'means tested' ones, national pensions still guarantee a minimum livelihood for Finnish residents, which according to some Finnish scholars (see e.g. Arajärvi 2002) is still a sign of universalism. In practice, the majority of the working population is ineligible for the (full) national pension. In the case of Disability pensions, claimants commonly do not have a sufficient work history to be granted employment pensions and therefore the reform has not been successful in channelling people to employment pensions, rather most claimants end up claiming national pensions. This is indicated in studies (for instance, Hytti, Ylöstalo and Ruhanen 2006) which show that the role of national pensions has become more

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assessed when determining the benefit. Introduction of the special support for immigrants with a means-test did not affect greatly their entitlement and the new means-tested benefit merely replaced their receipt of social assistance. However, the fact that these persons were awarded a means-tested benefit and not a pension meant that they could not export the benefit if leaving Finland as with a national pension.

272 For the existing (disability) pension recipients, the base amounts were annually (1995–2000) cut until they ceased to exist by the beginning of 2001.

important in the provision of disability benefits. An increasing number of claimants are depending on national pensions to supplement their employment pensions, or as their main source of income due to their short work history. Figures (Kela 2004: 98, Table 26) show that, of the 220,586 disability pensions payments at the end of 2000, the majority (150,000) remained payable under the national pension programme. Only one third (around 70,000 claimants) was transferred to other programmes, usually under employment disability pension programmes.

#### Lagging indexation

The national pensions had been intended to secure the basic livelihood of pensioners. Over time, the national pensions have been indexed annually to follow changes in consumer prices, with the exception of 1994. However, the adjusted rates of national pensions have seriously lagged behind employment pensions (see also STM 2005). Unlike national pensions, employment pensions are adjusted to changes in consumer prices, but are also related to the claimants' own earnings, resulting in more favourable benefit levels.<sup>273</sup> To address this shortcoming, additional increases in the level of pension (such as additional increases of €12.28 in 2001 and €7 in 2005) have been granted. Furthermore, to raise the levels of national pension claimants, child increases (in 2001 €18.08) were reintroduced. However, while benefit rates rise at a slower pace than employment pensions, which are already more generous to begin with, national pensioners, generally older women or younger (aged 35–54) men are left struggling with a (too) low pension income (see e.g. Niemelä and Ruhanen 2005).

Changes in eligibility: Statutory waiting period of 300 days for all and the temporarily disabled shifted to Rehabilitation Subsidy

In 1995, eligibility criteria for Disability Pensions were changed. Related to the reform of sickness benefits (1500/1995) persons retiring on a Disability Pension had to first satisfy a statutory 300 days prior to the beginning of their pension. Most people were granted sickness benefits for this period, but if not, they faced a gap of 300 days in the benefit receipt.<sup>274</sup> For them, just as for those completing the waiting period for the

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273 As a rule, national pension are adjusted annually to changes in the cost-of-living index (so called KEL index), whereas the employment pension are raised using a more favourable mechanism. As of 2005, in the case of new employment pension, a wage coefficient is applied to earnings during a person's career, with the weight of the earnings index at 80 per cent and the weight of the consumer price at 20 per cent. in the case of employment pensions under payment, an index is used where the weight of the earnings index is 20 per cent and the weight of the consumer price index 80 per cent.

274 Although the sickness benefit had rather a low requirement for annual wage earnings as discussed earlier, persons could fail to satisfy the conditions if they 1) did not pass the earnings requirement 2) were suffering from a disease that progressed in phases (in other words, the illness was not continuous), or 3) due to the difference in the sickness requirements between Sickness Benefit and Disability Pension. For the second point, persons could loose their right to disability pension if they were not continuously ill (due to the same illness) during the 300 days. Hytti (2000: 336) has estimated that 46 per cent of the people with gaps in their sickness periods were people suffering from mental



Means-tested Sickness Benefit discussed earlier, the reform meant a significant setback in terms of income security. Although the number is reasonably low and they can claim social assistance, it violates the social rights set down in Article 19 of the Constitution Act (1995), as people incapable of work due to sickness do not have a secure basic income, but must claim a last resort means-tested provision (see also Hytti 2000).<sup>275</sup> Eligibility was changed by replacing the former temporary Disability Pension with a Rehabilitation Subsidy (*Kuntoutustuki* based on 1487/1995 Laki Kansaneläkelain Muuttamisesta). The Rehabilitation Subsidy aimed at supporting the temporarily disabled to continue working.<sup>276</sup> Eligibility was made conditional on producing a care and rehabilitation plan. Moreover, it was announced that the temporary disability benefit payment decision was only done once, and after the expiration of the period the recipients were either guided to the Disability Pension programme or had to return to work. Financial compensation under the Rehabilitation Subsidy was paid when the claimants participated in rehabilitation activities. The young, in particular, faced stricter reintegration measures. Those aged between 16 and 18 (extended to 20 in 2002) were required in all cases to claim a new Rehabilitation Allowance. They were obliged to participate in a detailed investigation of their potential rehabilitation and no Disability Pension was granted until the maximum period of Rehabilitation Allowance had expired.<sup>277</sup> The aim was to integrate young people as effectively as possible into the labour market rather than encouraging reliance on social security provision.

Encouragement to work was not only directed at the temporarily disabled; the permanently disabled also faced their share of work-related obligations in 1995. Prior to granting disability pension, the rehabilitative potential of all claimants (on sickness benefit at the time) had to be defined.<sup>278</sup> To receive a Disability Pension, claimants were required, in conjunction with the benefit administration, to submit a care and rehabilitation plan to the social insurance institute. From 1995, more emphasis was placed on remaining

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disturbances. With regards to the third point, although both benefits required incapacity to work due to illness or injury, their concept of incapacity differed. For Sickness Benefit the claimants had to be incapable of their own work, but for disability pension a wider definition of capability was used and the claimants had to be assessed against any suitable work in regards to the claimants' age and occupational skills. It was, however, more common that those who had passed the own occupation test under the Sickness Benefit were not granted disability pension embedding a harsher test for incapacity of work, than vice versa. According to work by Hytti (2000: 335) in 1997 such a waiting period for Disability Pension was applied to 490 claimants, and the number increased to 836 claimants in 1998, and to 1,200 claimants in 1999, and she expects this only to increase in the 2000s.

275 Article 19 of the Constitution provides that those who cannot obtain the means necessary for a life of dignity have the rights to receive indispensable subsistence and care. This means that everyone shall be guaranteed by the Act the right to basic subsistence in the event of unemployment, illness, and disability and during old age. The basic subsistence is according to the Act more than barely just minimum income provision (provided through social assistance) (see more Hytti 2000).

276 In the year of its introduction (1995), most of the claimants (211,827 of the total 230,918) were claiming permanent Disability Pensions and only 19,091 were claiming temporary Disability Pension granted for a specified period (Kela 2004: 98, Table 26).

277 The only exemption was for the young disabled (under 18) whose condition was determined immediately impossible to rehabilitate.

278 If a claim for disability pension is turned down, claimants must be guided to the rehabilitation most suitable for them.

work capability rather than incapability (Nikkarinen et al. 1998). This made it harder to be assessed as incapacitated for work and, subsequently, to receive the disability pension. Notably the number of claimants on Disability Pension has decreased quite steeply (from 212,359 in 1996 to 136,522 in 2004) (Kela 2004: 98, Table 26). Recently figures have shown that half of the new claims (50.8 per cent in 2006) are channelled to Rehabilitation subsidy programmes (Hytti, Ylöstalo and Ruhanen 2006: 18, Table 4). Figures show also that more claimants have faced a refusal of their claims: Gould (2003: 194) indicated that the number of Disability Pension applications rejections has increased in the 1990s, particularly during periods of high unemployment. This was also confirmed by Hytti et al. (Hytti, Ylöstalo and Ruhanen 2006: 25, Table 9), who have shown that refusal of national Disability Pension claims is increasing: the refusal percentage has grown from 20.7 per cent in 1997 to 25.9 in 2005.

Encouragement to work: Stricter access to early retirement and the promotion of work

By the end of the 20th century attention turned to issues regarding the aging population and the increasing public costs of pensions and healthcare. Consequently, workers may need to work longer and retire later than they have done in recent years (HE 93/1999). Since the 1990s, reforms have been aimed at prevention of early retirement, through, for example the tightening of the rules for Individual Early Retirement pension programmes. Between 1985 and 1999 the age limit was increased from 55 to 60 (738/1989; 619/1991; 564/1993; 1271/1999). Since 2002, persons born in 1944 or later no longer have the right to the early retirement pension (633/2002). In practise, this meant that as of January 2004 no new claimants can access the programme. Although, the Individual Early Retirement programme will gradually cease to exist, less strict rules for the elderly with a long work history remain. The 2002 Act implemented less strict rules for incapacitated workers over 60-years-of-age when assessing their work incapacity. In practise this means that the benefit administration must consider claimants' professional background. Matters such as a long working career and hard physical labour should be taken into consideration when determining their right to disability benefit. Nevertheless, older workers are encouraged to work longer and unnecessary early exits are closed to guarantee the durability of pension arrangements.

Employment has been promoted by encouraging disabled people to try out work without the risk of losing their benefit rights. Persons on early individual retirement pensions could, since 1993, leave their full pension temporarily in abeyance if they found employment (564/1993).<sup>279</sup> As of August 1998, the Disability Pension could also be put on hold if the recipients found employment (837/1998). To do this, recipients' condition must have remained unaltered and they must not be able to earn their whole income by working. This suspension could last a minimum of six months and maximum of two years. In such cases working pensioners are no longer considered

279 Another possibility was that the pension was divided in half. The difference was dictated by the amount one earned by working (as laid down in 22 a § in Act 564/1993).

as pensioners, instead they can claim benefit based on the Invalidation Assistance Act (Vammaistukilaki 124/1988) to supplement their work income. In 2002, a monthly income-limit (at least €588.66 a month) was implemented for those leaving their full Disability Pension in abeyance (70/2002). The pension was paid again, if the person no longer worked or their income fell below this minimum. The maximum period of suspension was extended from two to five years, the minimum period remained at six months. For the first two years, a special rate of disability allowance was implemented to enhance the use of these measures. The incentive has however been rather limited, since most of the targeted benefit recipients have weak links to the labour market.

#### Conclusion of the Finnish sickness and disability benefits reforms

We conclude the section by analysing developments in sickness benefits and disability pensions. The changes in the 1980s brought about more generous and comprehensive sickness benefit and disability pension programmes. In the 1990s, the conditions under both programmes were made more stringent, the benefit rates were cut, and a means-test was introduced. For the sickness benefit programme this means-test was abolished later in the 2000s, but it remains for pensions (but only with regards to other pension income). Table 5.2 sums up the developments around sickness benefit rights and conditions in Finland.

The sickness benefit programme has undergone rather dramatic changes during the last 26 years in terms of principles. Starting as a universal programme in the 1980s, it was changed to be primarily a workers insurance programme for the loss of work income supported by a means-tested minimum benefit in the 1990s. Finally universalism was reinstated in 2000s by providing benefits for people with less strict ties to the labour market (however, with tougher entitlement rules). Earnings-related Sickness Benefit has not been altered profoundly. Its level was increased several times during the 1980s, devaluated in 1990s and increased again during the new millennium. The degressive table used in calculating claimants' benefit levels, however, meant that the level of benefit depended greatly on claimants' wage income: the higher the income, the lower the replacement rate. Nevertheless, we can assume based on our analysis that Earnings-related Sickness Benefit generates today sufficient and reasonably equal benefits for waged workers. A particular favourable characteristic of Finnish sickness provision is that there is no upper ceiling for the benefit. The introduction of a longer waiting period (nine days) seemingly cuts the entitlements, but as the waiting period for regular waged workers is often covered by employers (through collective agreements) they have rarely witnessed any cuts. It is therefore the claimants relying on Minimum Sickness Benefit who have met the most changes. Generally speaking, the Finnish programme is comprehensive covering people outside of the labour market (including students and housewives). However, the entitlements under Minimum Sickness Benefit have been cut and conditions around their eligibility have been made more stringent, which has significantly diminished basic security for the ill compared to waged workers.

**Table 5.2.** *Changes in benefit conditions and rights under the Sickness Benefit provision in Finland.*

	The 1980s	1991–1997	1998 onwards
<b>ELIGIBILITY</b>			
Scope of persons	– Sickness benefit made primary, excluded some pensioners	– Excluding small groups	– Pension age made flexible between 62–68
Requirements		– Eligibility required past work history – Minimum sickness benefit for those satisfying the means-test – Waiting period extended to 9 days – 60 waiting days for minimum sickness benefit – Medical check up after 60 days	– Means-test abolished – Minimum period on other benefits extended for student and unemployed – 55 waiting days for Minimum Sickness Benefit
<b>ENTITLEMENTS</b>			
Level	– Benefits and supplements raised, indexed	– No indexation during recession years – Small temporary raise of minimum benefit – Child increases abolished – Benefit raised for students	– Raised and indexed – Benefits raised for students
Duration		– Minimum Sickness benefit paid 60 days	
<b>ADDITIONAL CONDITIONS</b>			
Obligations		– Medical assessment after 60 days	
Sanctions	– Same as for unemployment benefits	– Same as for unemployment benefits	– Same as for unemployment benefits
Incentives for work		– Rehabilitative Subsidy	

One observes also the tendency for increased activation for the beneficiaries. After 60 days on benefit, recipients' rehabilitation needs and outlook are assessed. If rehabilitation is initiated, claimants are transferred under the Rehabilitation Allowance programme and the payment of the Sickness Benefit ends. This change is aimed as achieving faster re-entry to work. The next assessment of work incapacity (with a stricter definition of suitable work) will take place after the 300 days when claimant is transferred to the Disability Pension programme. Assessment under the Sickness Benefit programme is reasonably relaxed as claimants are required for the first 300 days only to be unable to do their habitual activities (work/study). Only under disability pension, as discussed next in Table 5.3 (p. 218), does a wider concept of suitable work became relevant.

**Table 5.3.** *Changes in benefit conditions and rights under the national Disability Pension provision in Finland.*

	1980–1994	1995–2006
Scope of persons	– Coverage slightly altered (small inclusion and exclusions)	– Temporary disabled excluded (transferred to the Rehabilitation Allowance)
Requirements	– Smoothing of means-test – New programme (Individual Early Retirement) for workers with long work record that applied less stricter medical assessment – Foreign claimants of Sickness Benefit can claim Finnish disability pensions – National pension receipt made depended on claimants other pension income	– Rehabilitation possibilities defined prior to receipt (care and rehabilitation plan) – Young disabled (under 20) must first receive the maximum duration of Rehabilitation Allowance to access the national pension – The age limit for accessing the Individual Early Retirement programme raised and finally the programme was abolished – Older persons with a long work record must be medically assessed with the consideration of the hard work done
Level	– Higher base amounts – Higher child increases – Increases payable without gender bias – For full-pension must have lived 40 years in Finland	– Child increases abolished – Child increases re-introduced
Duration		
Obligations		– Participating on care and rehabilitation programme – Young people must make effort during the Rehabilitation Allowance
Sanctions		
Incentives for work	– Part-time pension programme introduced – Claimants of individual early pensions could have a modest work income in addition to the pension	– Pension can be put on hold if returning to work: Restriction on the rules concerning putting on hold of the pensions

The national pension programme has perhaps undergone even more significant changes than Sickness Benefit during the period of this research. In the 1980s, the means-test under the additional components was made smoother and benefit levels under the programme were raised considerably. However, already a little more than a decade later, universalism was abolished and the national pension (comprising now of the united base and supplementary amounts) was paid in proportion to any other pension income to which the recipient may be entitled. In principle, the change was profound, as there is no longer universal national provision in Finland. However, in practice, the aim of the national pension today is the same as it was in the 1980s: to provide a minimum income guarantee for the pensioners. What the pension reform

brought about was a clear emphasis on employment pensions for the provision of old age and disability pensions and the deterioration of universal basic security. National pensions today are a last resort minimum provision for older or disabled Finnish residents. Since the 1990s the benefit levels of national pensions have also been cut and they have been subject to less favourable indexation, hence they lag seriously behind employment pensions.

The Disability pension is basically a programme only for the fully disabled (60 per cent of work incapacity), and it is more difficult to access (than sickness benefit) as claimants are required (in respect to their age and skills) to be incapable of a wider range of jobs than just their previous work. Nevertheless, in the 1990s the need to activate disabled people was recognised. This led to the introduction of special programmes and Rehabilitation Subsidy for temporarily disabled people. From then on the national Disability Pension was available only for claimants permanently disabled, whereas claimants with potential to join the working population were covered by the Rehabilitation Subsidy. The young (aged 16–20) today are automatically directed to rehabilitation rather than allowed to claim a Disability Pension. A compulsory care and rehabilitation plan is prepared for everybody and recipients on Disability Pension are encouraged to work, for instance by allowing them to leave their benefit on hold in order to try out working. Access to early retirement programmes has been tightened to promote the employment of older claimants.

### 5.2.3 Reforming Finnish social assistance benefit programmes

Description of the social assistance programmes in 1980 and 2006

While other social security benefit programmes had gone through considerable innovations by the early 1980s, social services and social assistance had been rather underdeveloped. Disturbing messages from the field (HE 102/1981) reported that entitlements paid under the (last resort) social assistance provision depended greatly on the financial situation of the municipality where claimants lived. Therefore, in 1982, the current welfare aid benefit implemented under the Law on Welfare Aid (Huoltoapulaki 116/1956), was replaced with a new Social Assistance Act. The new social assistance benefit set equal standards for this provision.<sup>280</sup> For this reason we take the year 1982 as our starting point. Figure 5.7 (see p. 220) describes social assistance provision in 1982.

The 1982 law gave every person with insufficient income a right to Social Assistance benefit (*toimeentulotuki*), but the benefit was paid only to persons whose income re-

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280 The provision of cash transfers was only a part of the 1982 law, other regulations concerning the delivery of social services, namely in terms of social work, upbringing and family counseling, home aid services, housing services, institutional care and day care were introduced. However, as our research focuses on cash payments, changes related to these other fields of welfare provision are not discussed. Furthermore, the right to cash benefit was made a subjective right, which was conceptually a significant change in the code of law. It was further established that everybody had a primary responsibility to provide for themselves (and to their family) by means of waged work or self-employment.

mained under the statutory minimum.<sup>281</sup> The basic benefit covered expenses related to food, hygiene requirements, clothing and every day living. The rates were linked to national pension rates (under the National Pensions Act 1937 and 1956 Acts). The basic rate for single and lone parent with children under 16 was 44 per cent of the full-national pension and the benefit was paid as long as the claimants satisfied the means-test.<sup>282</sup> In addition to Basic Social Assistance amounts, certain additions varying across the country were available for expenses, such as living and travelling expenses as well health care and funeral costs, providing that they were not covered by other laws. Decisions regarding these additions was based on the discretion of the benefit administrators. Additionally, the discretionary Preventive Social Assistance benefit (*ehkäisevä toimeentulotuki*) could be granted to encourage claimants' independence.<sup>283</sup> Under the 1982 Act, claimants were neither required to seek work nor register

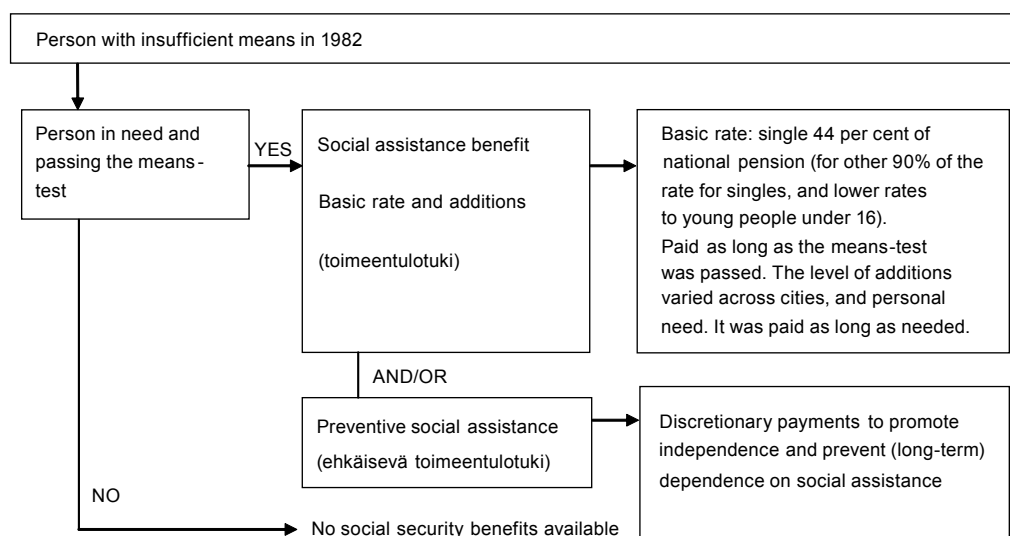


Figure 5.7. Route to social assistance benefits in 1982.

281 To calculate the claimants' income, all disposable income and assets (and capital except the main property) of the claimants (and their household) are calculated. From this amount, the basic amount (and other allowed costs) is deducted. If claimants' means remain below their expenses, they will be granted social assistance.

282 For others (16 or older), the rate was 90 per cent of the rate for the single persons. For children aged 10–15, the level was 60 per cent of the amount of a single person and for children under 10 it was 45 per cent respectively. For each third and subsequent child under 16, the amount was reduced by 5 per cent.

283 Under the former Welfare Aid Act, this sort of preventive support (*ehkäisevä huoltoapu*) existed already for supporting e.g. vocational training and it facilitated the payment of interest of mortgages. As of 1982, the name was merely altered (to *ehkäisevä toimeentulotuki*), but the benefit administrators were conducted to use these discretionary payments more frequently than previously, while the aid was seen to encourage the claimants independent initiative resulting in economically positive consequences in the long run (HE 102/1981). In addition to cash supplements, claimants in potential risk could also receive aid in the form of necessary instruments, such as text books that would help them improve themselves.

themselves at the Employment Office. As discussed in section 5.2.1 under unemployment benefits, there were also other means-tested benefits available (the National Unemployment Benefit and its later successors) for people with very low means. However, these programmes were aimed only at jobseekers and as the changes has already been discussed under the section of unemployment benefits they are not repeated here. Figure 5.8 describes the developments between 1980 and 2006.

Even though little has changed in the chronological time-line, rights and conditions related to social assistance benefit receipt have been altered (as discussed in the next section). But first, Figure 5.9 describes the current system of social assistance as it was in 2006.

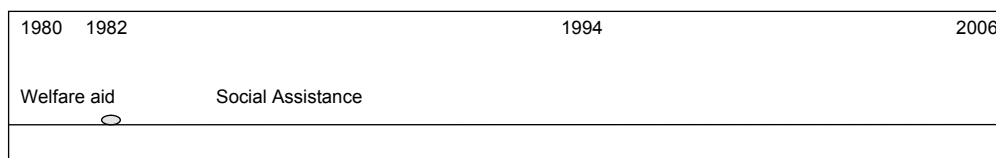


Figure 5.8. Chronological time-line of the changes in Finnish social assistance benefit programme 1980–2006.

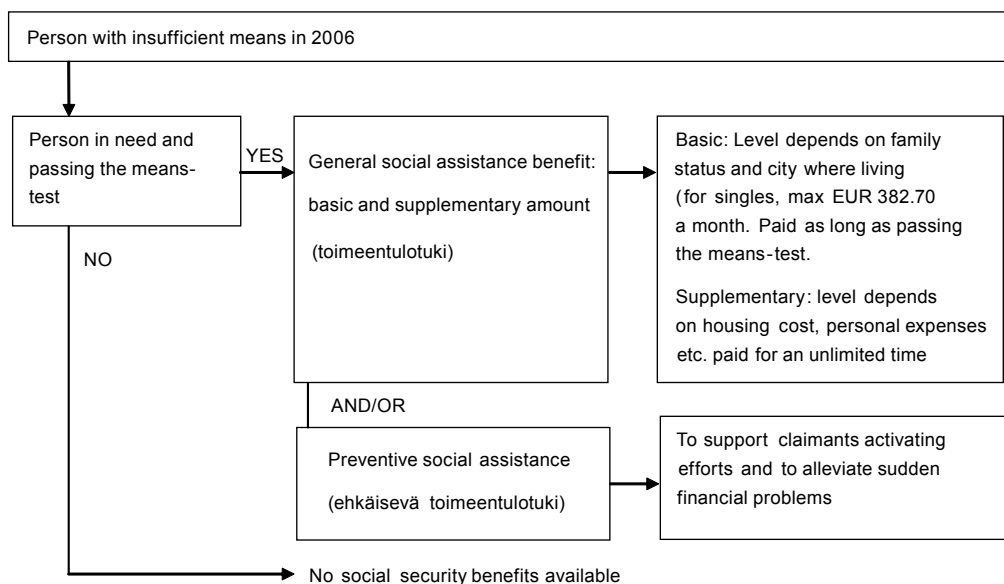


Figure 5.9. Route to Finnish social assistance in 2006.



In 2006, social assistance remains the last resort form of financial assistance for individuals or families with income below the social minimum. The benefit is granted based on the calculation of applicants' expenses and the income and assets at their disposal. The Basic Social Assistance Benefit for a single person living alone is a maximum of €382.70 a month covering food, clothing etc. The Supplementary Social Assistance benefit paid in addition to the basic amount covers health care and some other expenses. In addition to general social assistance, municipalities still pay the discretionary preventive social assistance. Next we describe in more detail what has happened to the conditions and rights in Finnish social assistance provision since 1982.

#### Changes in social assistance benefit rules in Finland, 1982–2006

The developments between 1982 and 2006 reveal three distinct periods of restructuring: the expansion in the 1980s, small cuts in the 1990s, and activation in the 2000s. Next we elaborate on these changes.

#### Improvement of the benefit of last resort in the 1980s

The developments of the 1980s were first and foremost beneficial for people on social assistance. The 1982 Act (710/1981) discussed above implemented a more generous last-resort programme equally available to all. The level of the basic amount was linked to the adjustment of national pensions. Furthermore, the benefit levels were raised three times during the decade. In 1984, the basic amounts for singles and lone parents were increased from 44 to 50 per cent of a full national pension (838/1983). Two years later (1986), the basic amounts were raised again by further five per cent, to 55 per cent of a full national pension (1021/1984). In 1988, the social assistance was modified again (1349/1988) and the levels were raised for the third time. Yet a more comprehensive basic benefit amount (*laaja perusosa*) was introduced. It covered a wider range of costs: in addition to base expenses like food costs, other daily costs of living such as TV license, newspapers, telephone bills, clothing expenses and costs for hobbies which formerly were met by discretionary supplements were now covered in the basic amount. Hence the basic amount was raised considerably, for singles and lone parents the level increased from 55 to 80 per cent of the full national pension, and benefit administrators' discretion was reduced.<sup>284</sup>

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284 Others received 85 per cent of the amount for a single person, for 10–16-year-old the rate was 60 per cent and to children under 10 it was 45 per cent of the amount for a single person. The amount for the second child under 17 was reduced by 5 per cent, 10 per cent for the third, 15 per cent for the fourth and thereafter 20 per cent per child. Discretionary preventive social assistance remained the same.

### The intention to secure the social minimum in the 1990s

Even though, the recession hit Finland very severely in the early 1990s, very few reforms of social assistance were implemented even in the worst years of the recession.<sup>285</sup> In contrast to other social security benefit programmes, many of the reforms in the early 1990s improved the rights of benefit recipients. At the same time, the number of claimants on Social Assistance grew rapidly: whereas 6.3 per cent of the population received Social Assistance in 1990, this increased to 11.9 per cent in 1996 (STM 2003: 122). In 1997, the social assistance programme was subject to a wider revision, and the expansion of the programme came to an end. Still, in the early years of the 1990s, the levels of social assistance were annually increased (1990–1993) with regards to the indexation of national pension benefit levels. In particular, the benefit rates for families with children were raised in the early 1990s. Relating to the revision of the national family support in 1994 (discussed already earlier in previous sections), the Basic Social Assistance amount for children aged 10 to 16 was raised from 60 to 70 per cent of the single's amount, and from 45 to 66 per cent for children under the age of ten (988/1993).<sup>286</sup> Furthermore, a new Basic Social Assistance amount (73 per cent of the single's amount) was introduced for 17 year-olds living with their parents.<sup>287</sup> Previously, they had to claim social assistance individually, even if they were living in their parents' household. In these cases, the youngsters commonly risked of not getting benefit as the income of their parents was taken into account when establishing the right to a benefit and/or calculating the level of payment. Now, providing that the income of the household remained under a prescribed minimum, a higher benefit could be granted. It was not until 1994 that the first cost containment measure was implemented. In 1994 and 1996–1998 no adjustment to indexation was made. In 1997 a more comprehensive revision of the social assistance benefit programme was implemented, and the period of expansion of benefit rights ended.

### Social Assistance Act of 1997

Following comprehensive reforms in unemployment benefits (1993), Sickness Benefit (1995), and pension benefits (1995), minimum income protection finally underwent a major revision in 1997. The system revision aimed at the rationalisation of social protection and placed the emphasis on primary benefits (such as housing benefit,

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285 Even though no more significant reforms were implemented in the first half of the 1990s, a willingness to reform the social assistance system remained. Many committees were assigned to invent and prepare possible reforms to minimum security and social assistance. For instance, serious plans and even a pilot (1993–1995 and 1995–1997) were undertaken concerning the transfer of the administration of social assistance from the municipalities to the Social Insurance Institution as of 1995. Regardless of the positive feedback from the pilot, the administration of social assistance remained with the municipalities (for a wider discussion, see e.g., Kuivalainen et al. 2005).

286 Furthermore, the number of children no longer reduced the basic amount. From 1993, the new national child allowance was taken into account when calculating households' disposable income. This could lead claims for families with children being refused.

287 The change was related also to the new child allowance Act which ended the payment of child allowance at 17.

unemployment benefits and study grants), so that social assistance would only act as a programme of last resort. The main aims of the reform were to decrease the number of recipients, reduce social assistance expenditure, prevent long-term receipt, and, as argued before, shift the focus to the first resort benefits (HE 217/1997) (see also Ukkola-Kettula 2000; Keskitalo, Heikkilä and Laaksonen 2000). Although the new Social Assistance Act (1412/1997) reinforced the status of social assistance as a social right, in practise it made it more difficult for people to qualify.<sup>288</sup> The new Law basically declared that people capable of working should be registered at an employment office instead of claiming social assistance. The Act did not required claimants to register as unemployed, but, practically speaking, people claiming social assistance who were not registered at the employment office, might see their benefits reduced. Furthermore, from 1997 onwards students were no longer eligible for Social Assistance but were covered by Study Grant programmes.

#### Alterations to benefit levels

The 1997 Act redefined benefit levels and introduced some cuts. The basic amount for single adults (and lone parents) was unchanged, but was reduced for families with two or more children: the benefit was cut by five per cent for the second child and ten per cent for the third and subsequent children. The parliament claimed (HE 217/1997) that the amounts had been set (too) high in 1994 given that children receive a free meal in day care as well as in school. In the same law, the children's' age range from 10–16 was extended to cover children aged 10–17, which meant that the improvement (discussed above) from 1993 was resumed.<sup>289</sup> Second, a seven per cent self-liability was introduced for housing expenses. Previously the calculation for claimants' benefit were based on the real living expense of the person in question. However, in most of the municipalities certain equitable criteria were applied to living expenses, for example, real living expenses were taken into account for the first three months of benefit receipt and thereafter only reasonable expenses based on housing benefit

288 As discussed earlier, Social Assistance benefit receipt was made a subjective right in 1982, but the 1997 Act was the first separate Act, that followed the lines of basic rights' reform by highlighting the nature of social assistance as a social right. This also corresponded to the message set in the European Social Charter, incorporated into the Finnish constitution, (the Section 15a, clause i.) (Tuori 1999; see more, e.g., Sakslin 1996 and 1999) in 1995, that a sufficient livelihood and well-being are a subjective basic right for all. In practice, interpretations of this right were not always unequivocal and, locally as well as juridically, the interpretations varied (see e.g. Huhtanen 1994). The assistant ombudsman of the parliament, Mrs. Koskinen, had earlier made a decision (27.6.1995) that aimed at unifying the grounds for awarding benefits, but all the same, large differences remained in benefits conditions across municipalities. In the 1997 Act, the right was more detailed giving to those in need of support and unable to make a living through paid work, self-employment, or other benefits a living (incl. unemployment or Sickness Benefit etc.). The 1997 Act did not solve the problem, and in 1999, the claimants' right to appeal was widened so that they could make an appeal to the higher Administrative Court (Ojala 2001), which positively widened the social rights of the claimants, but was also a sign of unsolved problems with the benefit administration. People were not only responsible for looking after themselves according to their abilities, but also for their spouses and underage children (referring to Marriage Act (234/1929), Child Maintenance Act (704/1975) and other such Acts).

289 In the same Act changes were introduced such that any means or income of a child under 18 was no longer consulted when granting social assistance for their parents, as underage children should have no maintenance liability for their parents.

criteria were calculated for the household type. Now social assistance benefit did not consider all living expenses, but seven per cent of reasonable living expenses must be covered by the claimants basic social assistance amount, and for expenses exceeding this excess, a special housing benefit might come in question.<sup>290</sup> For claimants this meant lower benefit entitlements and increased obligations to be responsible for living costs.<sup>291</sup> Ten years later, in 2006, the deductible seven per cent living cost reduction was abolished.

#### Enhanced activation

Conditions related to the activation of the benefit recipients were also tightened in 1997. Several reforms had been implemented in the 1990s that had increased the municipalities' responsibilities to aid and encourage recipients to enter rehabilitation or training (e.g. 1991 the municipalities' obligation to find work for the youngsters, see section 5.2.1). These reforms did not always directly change claimants' benefit rights, but they introduced a more dynamic approach towards social assistance claimants. In the 1997 Act, recipients were obliged to make an individual plan (to improve their individual position) in co-operation with the employment office. Participation in activation measures was backed up with sanctions. From 1995 onwards a 20 per cent reduction in Social Assistance benefit was possible for those claimants who refuse without a reasonable cause work or activation measures offered (1676/1995). In addition to this, a harsher measure was initiated in 1997, the basic amount could now be reduced by 40 per cent for claimants repeatedly refusing a job offer or offer on labour market activity. In addition, the sanction was made possible if claimants hindered the application of active labour market measures. The maximum duration for such sanction was set at two months in 1997.

#### Safeguarding the rights of the most needy from 1998

The developments of the 2000s first and foremost seem to reflect concerns about sufficient levels of benefits and incentives to work (see also Kuivalainen et al. 2005). Furthermore, whereas the reduction of discretion had been a goal in the late 1980s, such discretion has currently been reintroduced to social assistance.

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290 Reasonable living expenses included rent, mortgage interest, heating, electricity, oil, water, garbage disposal, and the maintenance costs of a property (408/1975). In addition to these basic matters, expenses due to household electricity, home and fire insurance, the rent of the building lot, property tax, sauna and so forth might be included.

291 Finally, from 1998, the rates of social assistance were no longer formally bound to the level of pensions, but instead the legislator gave exact figures annually (FIM). The change was less significant as, in practice, the old system set in the National Pensions Act (347/1956), remained through the indexation.

### Increased obligations to work

As discussed above, the 1997 Act did not theoretically require claimants to be registered at the employment office, but this was changed in 2002. From then on, every social assistance claimant between 17 and 64 years had to register at the employment office as an unemployed jobseeker (1294/2002) and seek work. If claimants fail to do this, their basic benefit can be reduced by 20 or 40 per cent as discussed above. Since 2001, the claimants also have to make an activation plan in conjunction with the Employment Office after five months (or earlier) on Labour Market Assistance or Social Assistance benefit (and as of 2006 immediately as discussed in the section 5.2.1). Here the claimants' situation is assessed and they are supported towards a suitable (working) activity (as discussed earlier in the section of unemployment benefits). Activities can be anything from subsidised jobs to training and municipalities are obliged to arrange the work activity if necessary.<sup>292</sup> When recipients are participating in a rehabilitative work activity, in addition to benefit, Labour Market Assistance recipients (as discussed already in the section of unemployment benefits) can receive a certain supplementing benefit such as Daily Allowance (*ylläpitokorvaus*) and recipients of Social Assistance can receive Activity Pay (*toimintaraha*). Sanctions are however linked to these incentives. The refusal of rehabilitative working activity can lead to a reduction of benefits or the total suspension of Labour Market Assistance or Social Assistance payment for persons under 25.

### The return of discretion

In the 2000s, the government announced the need to expand the use of preventive social assistance in municipalities and to relax the grounds for granting complementary assistance (HE 134/2000). In 2001 more pressure was put on the municipalities to support their vulnerable inhabitants (112/2001). The discretionary opportunity of granting preventing assistance was changed into an obligation for the municipalities. Since then, municipalities must prepare their budget with this in mind: at least 3.3 per cent of the social assistance budget should be used in preventive support (Karjalainen; Hiilamo and Raivio 2003: 9). Certain groups of long-term recipients (long-term or chronically ill, families with children) could from now on claim additional preventive social assistance. Such preventive social assistance could be granted, for instance, for activation, securing their living, relieving the consequences due to getting into debt, and for encouraging recipients to self-manage.

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292 Government referred to the Constitution's section 18 clause 2 to guarantee a right to work for when justifying these measures that there was need for an effective intervention for the young who were in a risk of becoming long-term recipients on social security benefits (HE 184/2000).

## Incentives to work

In 2001, more incentives were implemented to get recipients back to work. A so called Privileged Income Experiment Act (1410/2001) was temporarily introduced from April 2001. The Act basically introduced a new temporary earnings-disregard to Social Assistance recipients, whereby 20 per cent of earned income (either from waged work or self-employment) of the recipient of the household is no longer regarded as income when calculating benefit. There was a maximum level set, of €100 a month. Later in 2005 the experiment was extended until the end of 2006. The experiment was not path breaking, because already prior to 2001, municipalities could decide not to take some income into account if they chose. However, the Act introduced this trigger to all cities and led to more consistency between different cities. However, Hiilamo and his colleagues (2004) have examined this measure more closely and they claim that this added incentive has not been particularly successful. They (2004: 9) point out that there is some increase in the acceptance of work and it has improved slightly the economic situation of the households in question, but the effects have been modest.<sup>293</sup> Furthermore, the Act on Rehabilitation Work Activity (189/2001) and the Society Guarantee introduced in 2006, and discussed already in the section of unemployment benefits (5.2.1), actively encouraged the young and long-term unemployed to make an effort to re-enter the job market. The task of Social Assistance is to support these goals, for instance by granting Discretionary Social Assistance, or by increasing the obligation (e.g. interviews and plans) for people to participate in activities which might improve their chances in the labour market. The Society Guarantee did not much change the benefit rules, but it did change the financing and structure of Social Assistance Programme as of 1st January 2006. The programme distinguishes now between a basic (*perustoimeentulotuki*) and a complementary social assistance (*täydentävä toimeentulotuki*). Basic Social Assistance is no longer fully paid from state subsidies, the municipality must fund half. Complementary Social Assistance is still fully financed through state subsidies.

## Conclusion of the Finnish social assistance benefit reforms

Minimum income protection has been saved from the most radical reforms during the last 26 years. In the 1980s the social assistance programme was made more comprehensive, less discretionary and more generous: And even though Finnish economy in the 1990s suffered a severe recession, minimum income protection was for the most part spared from radical cuts. Since the mid 1990s however, claimants have witnessed more activation measures, in many cases in the form of (financial) incentives, but also through stricter obligations and sanctions. Table 5.4 (see p. 228) sums up the developments around social assistance rights and conditions in Finland between 1980 and 2006.

<sup>293</sup> Hiilamo explains this by the overlap within income transfer systems and the grounds for granting the benefits of various (Hiilamo et al. 2004; 9).

**Table 5.4.** *Changes in benefit conditions and rights under social assistance programme in Finland.*

	The 1980s	The 1990s	The 2000s
<b>ELIGIBILITY</b>			
Scope of persons		– Students transferred to the student grant programme (excluded from social assistance throughout the school year)	
Requirements		– An individual plan to improve their coping made obligatory	– Must register as a job seeker
<b>ENTITLEMENTS</b>			
Level	<ul style="list-style-type: none"> <li>– Differences across the country diminished</li> <li>– Benefits raised several times</li> <li>– A new comprehensive basic amount covered most needs</li> </ul>	<ul style="list-style-type: none"> <li>– Child allowance made to affect the benefit level</li> <li>– No indexation (through national pensions)</li> <li>– Benefit levels cut for families with children</li> <li>– Self liability for housing costs decreased benefits</li> </ul>	<ul style="list-style-type: none"> <li>– Increase in use of discretionary preventive support</li> <li>– Self-liability for housing costs abolished</li> </ul>
Duration			
<b>ADDITIONAL CONDITIONS</b>			
Obligations			<ul style="list-style-type: none"> <li>– Rehabilitative work activity</li> <li>– Society guarantee</li> </ul>
Sanctions		<ul style="list-style-type: none"> <li>– Reduction of benefit if not co-operating</li> <li>– Sanctions raised</li> </ul>	Sanctions increased
Incentives for work			<ul style="list-style-type: none"> <li>– Temporary earnings-disregard</li> <li>– Rehabilitative work activity</li> <li>– Society guarantee</li> </ul>

The coverage of social assistance has not been changed much, as can be expected from a last resort programme. However, conditions related to benefit receipt have been tightened: claimants must register at the employment office and therefore satisfy the same conditions as jobseekers. Recipients must also take part in making a plan for improving their individual situation.

Up to mid 1990s entitlements were increased for most claimants, even during the early period of recession. However, developments thereafter have decreased the level of payments. Very few concrete cuts were made (mainly to families with children, but their benefits had been earlier considerably raised under another provision). Knowledge of the Finnish constitution explains largely why social assistance entitlements were left

largely untouched. However, as discussed earlier in the section on national pensions, the rates of benefits linked to national pensions have decreased in the last decade as a result of the freezing of indexation together with a poorer indexation mechanism. However, in the case of Social Assistance benefit one must take into consideration that the payment level depends also on whether the claimant is also granted discretionary supplements. The total benefit entitlement depends thus on the claimants individual situation.

The number of activation measures aimed at the recipients of Social Assistance has been increased. They, just like jobseekers under unemployment benefit programmes, are expected to register at the employment office and seek work. Refusing a job or other activity will lead to a reduction of the benefit payment. Claimants must co-operate in making plans for bringing them back to work. As Social Assistance is increasingly dependent on the discretion of benefit officers, participating in such measures can also lead to higher benefits as discussed above so that it is in the claimants own interest to co-operate. The emphasis in the programmes has been on both the prevention and alleviation of poverty through activation.

### 5.3 Reforming social security policy in Finland: Conclusions and prospects

Finally, we summarise the main findings in the Finnish case. During the last 26 years, the social security programmes investigated in this chapter have undergone both a period of expansion as well as cost containment. The expansion of the programmes in the 1980s widened coverage, raised benefit entitlements significantly, and led to the institutionalising of Nordic features (for instance a universal basic pension, comprehensive sickness and unemployment benefit programme etc) in the Finnish welfare state. By the end of the 1980s the structure of social provision included an earnings-related insurance, a (universal) basic insurance, and a means-tested minimum provision. Finland however suffered a serious recession in the early 1990s and the measures adopted in this period of austerity aimed primarily at cutting the cost of the social provision. However, they led also to the structural revision of social security provision and the activation of benefit recipients. The introduction of new means-tested sickness benefit and the replacement of the universal national pension with a means-tested counterpart, were the most drastic measures taken. In the 2000s, the recovery of the economy brought about few improvements to benefit rights, but the reforms mainly continued encouraging benefit recipients to work rather than to remain on benefit. But how were the social security rights changed in relation to eligibility, entitlement, and additional conditions in Finland?

The Finnish programmes have been reasonably comprehensive since the end of the 1980s, and they remain so in 2006. Although, certain groups such as the young have faced more difficulties accessing the programmes, they remain open to people outside of the labour market. In addition to means-tested and insurance programmes for workers, the Finnish provision provides a comprehensive coverage through basic se-



curity programmes. The reforms have reduced the prominence of such basic provision, but they still remain. In addition to the changes in benefit provision structures and coverage, requirements to access have been tightened and new conditions have been set. However, most reforms have been only minor adjustments. For unemployment insurance benefits, claimants are required to have a work history (and a membership in an unemployment insurance fund), but it has not been extended much during the last 26 years (by four months) and recently activities outside labour market (caring for children, time in military service, studying etc.) can extend the examination period and facilitate the entry of people with less recent ties to labour market to earnings-related (workers) insurances. To access means-tested unemployment benefits, claimants are not required to have a (recent) work history, and in certain situations (for activation purposes) they do not even have to satisfy the means-test. All claimants of unemployment benefits are, however, expected to satisfy a range of (work-related) requirements: claimants must be available for (full-time) work, actively seek it, and accept it immediately if offered. Young claimants and the long-term unemployed must co-operate with the employment offices and participate in (any of) the activation measures offered. Older workers have lost some of their former rights, which enabled them to use unemployment benefit programmes as an early exit route. To be eligible to sickness benefits, work incapacity must be medically determined and the reforms introduced in the 1990s aimed at the more efficient prevention of long-term disability and the facilitation of a quicker return to work. This meant that people with reasonable prospects of returning to work are guided to rehabilitation as early as possible. For the Disability Pension programme, tighter medical assessments, which have made it more difficult to qualify for the benefit have been introduced. Work history plays little part in accessing sickness and disability benefits, but it is important in determining their levels (as discussed below). Access to social assistance has not been altered greatly. A few categories of young people have been excluded and guided to other programmes (such as study allowance or unemployment benefit programmes), but its coverage is still very wide.

The Finnish social security benefit system still embeds a generous (earnings-related) insurance programme and a less generous basic benefit to protect against unemployment and sickness, which is complemented with means-tested minimum income protection programmes (Labour Market Assistance and Social Assistance). Although, the insurances are less strictly tied to waged work as discussed above, the level of payment is dependent on whether insurance benefits or the basic (or minimum) substitute is granted. Our analysis shows that most severe cuts (in relation to previous programmes) have been directed to the (basic and) minimum benefits. This was also manifested in a recent publication on the indisposition of the Finnish welfare state (Helne and Laatu 2006) extensively discussed in the media and public debate in 2006, where the authors show that regardless of rising wealth and consumption in the 2000s, stricter rules of redistribution have facilitated a wider gap between the rich and the poor. We see also in our data that welfare rights and conditions differ between those eligible for generous insurance provision and others with minimum provision. Recipients (particularly the unemployed) of earnings-related insurance benefits faced some cuts

in the 1990s, but their rights have been reasonably well restored due to advantageous indexation after the recession. The duration for claiming earnings-related benefits has also been maintained. In contrast, the recipients of minimum benefits (most profoundly the recipients of Minimum Sickness Benefits and Labour Market Assistance, but also the recipients of national Disability Pension) have faced less generous provision. Although, there have been very few concrete cuts (with the exception of those affecting the young living at home and labour market entrants), other developments have lowered benefit rates: the indexation of benefits has been suspended (and its mechanism does not keep up with the increase in insurances benefits and wages), waiting days have been increased, and duration has been (preferably) reduced. Indeed, although the policy-makers protected minimum income provision from radical cuts in the 1990s, the reforms (and the passiveness of raising benefit levels) have led to a decrease in welfare provision for people on basic and minimum benefits. More generous provision in Finland is generated through insurance benefits (earnings-related sickness and unemployment benefit and employment pensions), and other benefits (minimum sickness benefit, basic unemployment benefit, labour market assistance, and national disability pension) merely aim at maintaining a 'minimalist' basic livelihood. The safety net under the Social Assistance benefit programme tries to cover the remainders. Entitlement levels thus depend increasingly on the claimants' personal situation in a special risk situation (such as unemployment or sickness), whether they are granted earnings-related or basic benefits, or minimum income benefits. Furthermore, claimants' individual situation and their co-operation (or not) in an activation programme can lead to higher benefits (or benefit reductions). The same applies also to the recipients of social assistance benefits; their total amount depends on whether they take part in activation programmes, and whether they are granted the discretionary (preventive) supplements.

Although the element of 'active social policy' was already quite strong before the 1990s, it has been strengthened thereafter, particularly under unemployment provision. Financial incentives together with stricter obligations and sanctions aim at encouraging people to work. Claimants are also required to make more effort in order to end their benefit receipt and return to work, if possible. Although more responsibilities are given to the claimants themselves (to be available for work, seek it, accept it, participate in interviews, in planning, and in medical assessments), the state has increased the availability of services for the claimants in return. This reflects the preservation of the Nordic 'way': providing services as well as transfers, as argued also by Kautto (2004). Most activation measures have been targeted, according to our analysis, on jobseekers and social assistance recipients. We claim that in Finland the activation of the (long-term) disabled has been less prominent. For instance, the introduction of Rehabilitation Subsidy, channelling the temporarily disabled to a separate programme, can be considered as a more active approach. Why the number of activation measures has remained relatively low (compared to unemployment benefits) has perhaps to do with the fact that the general Disability Pension is only available for those permanently (and fully) incapacitated. People with reasonable prospects of returning to their work are moved quickly from Sickness Benefit to the separate Rehabilitation programmes.

Furthermore, the fact that long-term disability benefits are channelled through the pension system in Finland, which is traditionally quite a rigid social security provision arrangement, might explain the rather fewer activation conditions and opportunities for 'a less active benefit receipt'. Finally, we can also speculate that another reason for this is that few people are claiming Disability Pension in comparison with unemployment benefits: whereas 447,270 people were receiving unemployment benefits (Basic Unemployment Benefit, Earnings-related Unemployment Benefits, Labour Market Assistance or Unemployment Pensions) at the year end of 2004, the number of national Disability Pension recipients was only 152,982 (Kela 2004: 72, Table 19 and 97, Table 25). Activation measures are thus directed to those programmes, covering the majority of claimants.

So, how to conclude? Despite the great number of changes implemented in the past, we would claim that very few radical reforms have been implemented. This does not mean to say that the severe recession left welfare provision untouched. On the contrary, we see certain pattern of change again. First, we propose that Finnish programmes have become more *targeted and made more difficult to access*. We claim that changes have lead to bifurcation into targeted programmes and income-related programmes, that is reforms have made social security provision thinner so that rather than emphasising the provision of equal basic security for all, we see that since the mid 1990s claimants are increasingly steered either to earnings-related programmes or to minimum income provision, and no longer to the basic (universal) provision. Such developments are clearly seen in the sickness and disability programmes investigated in our study. Both programmes comprehended both an earnings-related programme (Earnings-related Sickness Benefit and Employment Pension) and a basic provision (Minimum Sickness Benefit and national Disability Pension) in 1980s. In the 1990s, the basic programmes were abolished, and replaced by a means-tested minimum programme. Although, the Means-tested Sickness Benefit was again replaced by a (non-means-tested) Minimum Sickness Benefit in 2001, and the national pension takes account only of other pension income, claimants ineligible to earnings-related compensation can only turn to a 'minimalist basic security', also paid to people outside of the labour market (including e.g. students, housewives etc.), but with less generous rights (testing other pension income, shorter duration, longer waiting period etc.) as opposed to the programme operating in the 1980s. For unemployment benefit, waged workers insurances, basic security and means-tested provision exist, but in the recent years the basic provision has lost its importance. Indeed, we observed a dualisation process where basic security has been diminished while earnings-related insurances and means-tested provisions have been expanded. We see also the *reduction of benefit generosity*. In the 1990s all benefits were cut, but particularly the minimum and basic provisions have become less generous. Finally, we report again increased *activation*. Reforms indicate that rights to social security are more strongly tied to recipients' responsibilities to play a more active role in their benefit receipt, and eventually in their employability. Furthermore, many incentives support this goal. Such activation is not new in Finnish social policy, but it has been strengthened since the early 1990s. Mainly, activation has been directed to jobseekers, and to a lesser extent, to the disabled.

## 6 COMPARING SOCIAL SECURITY BENEFIT REFORM: TRENDS AND VARIATIONS

In this chapter, we compare the empirical findings derived from the national cases (Chapters 3–5) both across and within countries. More specifically, we examine the similarities and differences in reforming benefit structure across countries and programmes over time. Based on our findings, we seek answers for our research question 2 concerning convergence or divergence. Furthermore, we discuss our hypotheses 3 and 4 related to convergence at different levels of analysis and the alleged increase in importance of work discussed in Chapter 1. The findings from our national cases illustrate a diverse picture of benefit reform. On the one hand, there are clear similarities, and uniform trends in benefit reform, while on the other hand there are also differences across countries and programmes.

### 6.1 Benefit reform compared across countries: Common trends in benefit reform in the UK, the Netherlands, and Finland

The analyses so far clearly indicate uniform trends of changes in the three countries. We found out that, in all three countries 1) reforms have increased the work relatedness of the programmes in many ways, 2) the number (and intensity) of activation measures has increased, 3) benefits have become more targeted, and 4) the generosity of benefit entitlements has reduced. Next we examine these trends across countries and programmes.<sup>294</sup>

#### 6.1.1 Increased work-relatedness

It becomes evident from our analysis that the link between work and welfare has become stronger in all three countries under investigation. We find that eligibility and entitlements are tied more strictly to: claimants' past employment records (to their work history, past contributions, and previous wages); their availability for work and their engagement in activation programmes as a condition of benefit receipt, which provides an indication of an *increase in work-relatedness*. These conditions create a boundary around the potential pool of beneficiaries and test whether a particular claimant satisfies the conditions at the point of entry to benefit programme. In order to legitimise the receipt of benefit by current claimants, the preservation of benefit right has been more closely linked to recipients' willingness to take up work, training, or rehabilitative measures or to co-operate with benefit administrators, matters which we discuss in the next section (6.1.2) under *activation*.

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294 In the previous chapters we discussed extensively reforms in each country and programmes. The intention of this chapter is to present a compact description of the common trends and compare them across and within countries, using some examples. The theoretical implications of our findings are reflected in Chapter 7.

Within the trend of increased work-relatedness we can additionally distinguish between two developmental paths. On the one hand, we found changes that enhanced work-relatedness through *tightening the access rules related to claimants' past work history*. On the other hand, we also discovered increased work-relatedness through *tightening the access rules related to claimants' behavioural obligations to be available for work* (and seek it). The increase in work-relatedness through stricter access rules concerning past work history, is generally more concerned with insurance benefits, where the idea of reciprocity traditionally plays an important role, since receivers are expected to contribute (work, financial contributions) in return for benefit payments. Our analysis showed that, during the last 26 years, eligibility for insurance benefits has been more tightly linked to (past) work records: tighter requirements have been set for work history, past wages, paid contributions, or in some cases, for remaining earning capabilities.<sup>295</sup> Moreover, the work record became increasingly important in determining the level and duration of benefit payments. Generally speaking: the longer the work history of the claimants, the higher wage income they had received; or the more severe their incapacity for work is; the higher benefits levels they could require under an insurance benefit programme.<sup>296</sup> The tighter access rules related to claimants' behavioural obligations to be available for work (and seek it), applied to both claimants of insurance and assistance benefits. Our data showed how claimants had to satisfy more work-related conditions which engaged them in behaviour that improved their prospects of finding work in all three countries. Such conditions required claimants to prove their willingness to work: for instance, they were required to be available for work; to be registered at the employment office, to attend some sort of take-up interview; to demonstrably seek employment; to be willing to use their remaining earnings capacity, and so forth. Exceptions were seldom granted and a failure to satisfy these conditions resulted in benefit being withdrawn, reduced, or refused.<sup>297</sup>

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295 For instance, between 1980 work record requirement for unemployment insurances has been extended from one year in any year to one year in the least two years (NI contributions, without possibilities to be credited for these contribution) in the UK; from 30 days to at least 26 weeks (of work history) in the Netherlands; and from 6 months to 10 months (of past work history and membership in insurance fund) in Finland.

296 Only in the Netherlands was the level of unemployment insurance benefit actually linked to the claimants' work history, but in the UK and Finland, claimants with a long work record are in all probability entitled to insurance benefit rather than to assistance benefit paid at a much lower level. Furthermore, in the Netherlands and Finland, the rate of unemployment benefit was linked to claimants past earnings, but this is no longer the case after 1982 in the UK. In the UK, the rate of JSA is now linked to claimants' age, which presupposes that 'older' workers (who generally have a longer work record) receive higher benefits. In all countries, the higher degree of work incapacity claimants have, the higher (or better chance to a right to benefit) they have, and this has been strengthened by tightening the criteria relating to disability in the 1990s.

297 However, in the UK certain groups (e.g. single mothers) were exempted from these work related requirement up to the 1990s, but after the introduction of JA in 1995 such requirements are mandatory for all working age benefit claimants (lone parents included). In the Dutch programmes also, older workers and lone parents were previously exempted from these obligations, but since the 2000s this is no longer possible. Finally, the early exit routes underlying Finnish unemployment benefit (particularly under the unemployment pension programme) have been decreased.

### 6.1.2 Increased activation

The link between work and receipt of social security benefits has also been reinforced through changes encouraging people to work rather than to remain dependent on welfare. National labour market policies aiming at activation are nevertheless rather fragmented. A variety of instruments and programmes are used to achieve the same goal. Our analysis only covers some of the activation measures, namely those systems and changes that apply directly to unemployment or sickness benefit rules.<sup>298</sup> Regarding these activation elements in the benefit programmes, we observed a clear trend towards increased activation in all three countries investigated. We noted changes that encourage recipients to work (by offering financial incentives, ‘carrots’), or, changes that obligate claimants to participate in work experience, training or other activity in order to keep their benefit rights (‘sticks’). The financial incentives observed in our study were commonly either earnings-disregards, allowing recipients to keep (some of the) work income without affecting their benefit rights, lump sum bonuses to ease the transition to work, or regulations that protected recipients trying to work against loss of income in the case of renewed unemployment.<sup>299</sup> Under additional conditions implemented, claimants were expected to satisfy more requirements to legitimate their benefit receipt. For instance, recipients had to attend mandatory interviews, during which their situation was assessed and plans were made for their (re)entry to the labour market (if possible).<sup>300</sup> Furthermore, recipients were obligated to accept work or training sooner, or to follow advice (on rehabilitative work) made in health (re)assessments and so forth. Sanction measures were introduced (or restricted) to back up these obligations.<sup>301</sup> Many activation programmes (training, subsidised work, rehabilitation etc.) were initially compulsory for certain groups of recipients (such as the young and long-term unemployed in the countries studied), but more and more people are faster facing these new requirements aimed at getting people back to work.<sup>302</sup>

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298 One must keep here in mind that our research listed only activation measures directly related to selected benefit programmes. This limitation excludes most incentives through the tax system, training programmes, work subsidies and job creation programmes etc. commonly existing outside the benefit provision analysed here.

299 For instance, in the UK the Back-to-work bonus was implemented in the 1990s, in Finland, the daily allowance and accommodation allowance were introduced in the 1990s, and travelling allowance and other increases for people joining activation measures in the 2000s. In the Netherlands, the WIW in the 1990s included also financial incentives for people deciding to return to work.

300 Mandatory interviews were implemented in all three countries, such as under Restart in the 1980s and JSA and New Deal in the 1990s in the UK, under WW 1986 and the Gatekeepers test in the 2000s in the Netherlands, and under the new unemployment benefit programme in Finland in 1984 as well as Society Guarantee in the 2000s.

301 In all countries sanctions were extended during the time period in question. The JSA in the UK implemented (in JA 1995) much more stringent sanctions. The BMTI (of 1996) in the Netherlands maximised the sanctions and made their use compulsory for benefit administrators. Similarly, in Finland, the sanction rules were gradually tightened throughout the decades.

302 For youngster, Finnish municipalities were obligated to find work for them (and long-term unemployed) in 1987, a year later (in 1988) the YT (Youth Training programme) was introduced in the UK; and the JWG (Youth Work Guarantee) was implemented in the Netherlands in 1991. In the 2000s, the activation has made to affect a much faster people in threat of remaining (long-term) unemployed (after the ending of the gateway period in the UK (since introduction of New Deals for most claimants groups in working age), or after first three months in the Netherlands (Gatekeeper test in 2007), and in Finland after 500 days in Labour Market Assistance (through new Society Guarantee in 2005).

### 6.1.3 Increased targeting

The third trend is the increased targeting of benefits. We do not define targeting as the redirection of social security ‘from less needy to more needy recipients’ (followed by Bolderson and Mabbett 1996: 16 definition on targeting). Rather, we take a broader perspective on targeting, similar to one used by van Oorschot (2002b: 173), where targeting is seen as an allocation to a particular group: categories of citizens (unemployed workers, pensioners, families with children), a needy group (sick or disabled persons), or at persons whose means fall below subsistence level (i.e. the poor). *Targeting by category* for our purposes contains changes that either include or exclude a group of people (or single persons) in/from benefit programmes. Based on our analysis, new categories were seldom introduced to programmes, but throughout the time period married women, and the self-employed were included in some programmes.<sup>303</sup> In the 1980s, such changes generally filled some gaps or unified social protection coverage.<sup>304</sup> More commonly we observed reforms excluding people, however, exclusion did not necessarily mean a change for the worse. Reforms excluding people could be favourable (for instance enabling some older unemployed people to retire early on benefit programmes which embed less strict conditions on availability for work and/or higher benefit levels).<sup>305</sup> On the other hand, they could be also very unfavourable. Cuts in the duration of certain insurance benefits meant that people were faster excluded from these programmes, and in some cases had to claim means-tested assistance instead. Importantly, it were the young who (based on their age, or their status as students or labour market entrants) faced increasing difficulties to access the insurance programmes during the 26 years of reform. The young were removed (either temporarily or permanently) from unemployment benefit (or their benefit entitlements were cut as discussed below). In all three countries, students can no longer claim unemployment benefits. Their income maintenance is now provided through study allowance programmes. Furthermore, school-leavers face a much longer qualifying period for unemployment benefit.<sup>306</sup> This meant that young people faced many more difficulties

303 The WW of 1986 included married women in unemployment insurance in the Netherlands (previously not done by the WWV), and the SDA included housewives in the UK in 1984. In contrast in Finland pension reform in 1982 made spouse increases apply also to men (as opposed to only women prior to that). Such improvements were generally necessary to comply with Directive 79/7 of European Union to improve gender equality. Additionally, the self-employed were included in the unemployment benefit programmes in Finland (in the 1990s). These were thus not cross-national trends, rather national changes to improve the comprehensiveness of the national programmes.

304 Not all reforms including new groups were aimed at increasing the generosity of the programme. For instance, the inclusion of civil servants in the general national schemes in the Netherlands (OOW of 1997), the more favourable scheme previously available to them.

305 In all countries, in the 1980s older workers could use a route to early retirement under the programmes observed here (in the UK, older men (60+) released from being available for work in 1983; WWV providing benefits for a longer period for older workers in the Netherlands, and the Special Insurance Benefit for people aged 50 or older, unemployment pension, and new early retirement pensions (in the late 1980s) in Finland). Access to these routes has been restricted in the following decades: for instance (abolition of older men's exemption of being available for work in the UK, Abolition of WWV and later the follow-up WW in the Netherlands, and abolition of the unemployment pension and restricting the access to early retirement programmes in Finland).

306 For instance, labour market entrants faced a waiting period of five months as opposed to five days for others in Finland, whereas in the Netherlands they can receive the benefit immediately, but they are obligated to accept almost all jobs

in being granted unemployment benefit. Increased targeting can make it more difficult to qualify for some programmes. Furthermore, the abolition of universal provision or at least restricting access to universal, residence-based programmes meant that claimants not qualifying for, or exhausting their entitlement to employment-based social security had to rely increasingly on means-tested minimum benefits.<sup>307</sup> Similarly, more stringent eligibility rules and shorter duration of payment led to stricter targeting of insurance benefit programmes (and fewer workers could access them). *Targeting by the degree of the risk* prevailed. For example, stricter medical tests made it more difficult to be granted sickness and disability benefits in all three countries, and when the definition of who is considered as unemployed was tightened. This kind of targeting by 'need', as defined in van Oorschot's (2002b) work, brought about that programmes are targeted to cover only the disabled with a higher degree of work incapacity or the unemployed who could not be held responsible for their unemployment. Targeting by the degree of risk had excluding effects (restricting access to a smaller group), but we also observed signs of positive needs' recognition by means of targeting. For instance, entitlement levels were more tightly tied to 'genuine need', for instance to household size, number of underage children, higher degree of disability as well as to the benefit administrators' perception of the need (through discretionary supplements).<sup>308</sup> Such reforms benefit, for instance, families with children, married/cohabiting couples, and the fully disabled. Discretion, however, poses a problem for positive needs recognition, even though it aims at targeting assistance towards those in most need. However, more discretion can also bring about that more claimants may be left without benefits (or any supplements) if they fail to convince benefit administrators of their true need (or if the budget for such supplements has run out). Finally, by *targeting by means* we mean that the claimants' means have become more important through the introduction of means-tests, or tax credits for the working poor, but also through tightening access to and cutting insurance benefit duration when establishing the right to benefits.

#### 6.1.4 Reduced benefit generosity

Cuts in benefit generosity can be identified as a fourth trend from our data analysis. In all three countries, benefits have been cut, generally during the 1980s and 1990s, but countries vary considerably here as discussed in the next section. Reduction of benefit generosity has been achieved by cutting benefit rates, abolishing supplements, cutting benefit duration, implementing (longer) waiting days and so forth.<sup>309</sup> Equally

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at once (with small exemptions for university graduates).

307 Access to disability benefits was hampered by the abolition of non contributory programmes in the UK (NCHIP and NCIP in 1984, and later freezing of SDA in the 2000s), and in the Netherlands (abolition of AAW 1997). In addition, the reform of the Finnish national pension programme (2001) abolished universal coverage for the disabled.

308 Although such element of positive need recognition generally underlined the benefit structure (particularly in means-tested benefits) prior to 1980, only a few examples of this was implemented during our examination period: tax credits in the UK for families with children and disabled, re-introduction of child allowance to means-tested unemployment benefit in Finland, and increasing the level of WIA benefit for fully disabled.

309 The most fundamental cuts were implemented in the 1980s in the UK and the Netherlands, where the earnings-related



important, although less often recognised, are the creeping reductions in the form of changes to indexation mechanisms. To ensure that benefits retain their value, they are indexed either in line with the prices or wages (varied across countries, and sometimes across programmes as discussed later in section 6.3). However, since the 1980s, in all three countries, adjustments have been made to these mechanisms, which, together with suspensions of indexation in the 1980s and 1990s, have gradually led to cuts in benefit entitlements.

The first two common trends, increased work-relatedness and activation confirm our assumption derived from the literature (set out in hypothesis 4) that *we would find more work-related conditions in eligibility and entitlement criteria and obligations*. It is indeed true that the number and intensity of work-related conditions, affecting both initial benefit claims and benefit duration, have increased. In addition to this we also found trends towards increased targeting and the reduction of benefit generosity. The trend of targeting relates to the fact that access to benefits has been more strictly limited to certain groups or even to some individuals. The right to benefit was often directed towards those who were able and willing to work, or to people with a sufficient work record. This kind of targeting follows very closely the idea of work-relatedness found also in the other two trends discussed above. Within our targeting observations, we also found that reforms could direct benefits to some groups out-of-work such as the needy (with means under a certain threshold), or to families with children and older people. For the first group, we can speak of more focused targeting through a means-test, but for families with children and older people quite the opposite approach to targeting was often noted. In these cases we found positive needs-recognition, and (as will be discussed below) the reforms often led to improvements in claimants' benefit rights. The last trend, reduction of benefit generosity is often claimed in the academic literature under retrenchment or cost-containment (Pierson 1994; Green-Pedersen 2002b). We do not touch on the discussion of theoretical implications of these findings here. Rather, the general hypotheses referring to European trends are extensively discussed in the light of existing empirical work with theories on welfare state change discussed later in this chapter and in the final chapter. Next, we concentrate on discussing the findings derived from the empirical chapters (3–5) and comparing them across countries and programmes. A systematic analysis of detailed data indicated that, in addition to above mentioned broad European trends, we can find variation within trends at country level. This means that some of these trends are more strongly manifested in some countries than others, as discussed next.

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supplements was abolished (UK) and the benefit percentages were lowered from 80 to 70 per cent (NL). In Finland, the most dramatic cuts were implemented in the 1990s, when benefit percentage was lowered from 45 to 42 per cent but this was reversed after the mid 1990s.

### 6.1.5 Trends and their variation at country level

We present in Table 6.1 a schematic overview of common country trends between 1980 and 2006. Here we can see that despite common trends towards increased work relatedness, activation, targeting and reduction of benefit, there are considerable differences between countries in the strength of these trends; namely to which main direction the national reforms are leading to.

**Table 6.1.** Strength of common trends per country across time (1980–2006).

	Reduction of generosity	Increased work-relatedness	Increased activation	Increased targeting (category)	Increased targeting (need/means)
UK	++	+	+	+	++
Netherlands	+	+	+	++	+
Finland	+	+	+	++	++

Note to Table: + trend exists, ++ trend is strongly present.

Cuts in benefit generosity were implemented in all three countries, but differences in the significance and timing of cuts were noticeable. Generally speaking, the most significant benefit cuts were found in the UK. The earnings-related components were removed from insurance programmes, and the difference between insurance and social assistance programmes (with regard at least to the level) have become very blurred in the last decades. The two other countries have also experienced cuts in their benefit rates, but the difference between insurance and assistance benefit is still important in the Netherlands and Finland. This observation justifies the two plusses in Table 6.1. Furthermore, our analysis shows that the timing of the cuts varied significantly: whereas benefits were subject to considerable cuts in the Netherlands and the UK in the 1980s, Finnish social security provision underwent a major expansion during that period. In the 1990s, all countries faced cost containing measures. In the 2000s, some reversals have taken place in all countries to compensate for some of the losses in benefit generosity inflicted in the 1990s.

Another observation from our data was that all countries tightened the conditions of work relatedness. However, again variations between countries prevailed. Whereas in the UK work-relatedness grew particularly through more stringent labour market conditions (related to availability and active searching for work), and to a less extent, through stricter work-related eligibility conditions (as contribution requirements for NI insurances alone have been tightened), it were precisely those stricter eligibility rules with respect to claimants' past (work record) that marked developments in the Netherlands. These qualification requirements have been made tighter and Dutch claimants also face an increasing obligation to find work. In Finland, work-related-

ness was mainly emphasised through increased obligations to be available and seek work, and, to a lesser extent, through increasing eligibility requirements with respect to work.

Furthermore, in all three countries activation of benefit recipients became more pronounced since the 1990s. Our data revealed no striking differences across countries with regard to activation measures taken: in all countries benefit claimants faced more stimuli to return to the labour market. We noted, however, as discussed in the empirical chapters, that countries' 'ways of doing' activation were slightly different: whereas the Finnish activation measures have mainly been based on incentives to return to work (at least so far), in the UK such incentives also exist, but they often are overshadowed by labour market obligations and sanctions. Dutch programmes lie somewhere in the middle, but here also obligations seemed to exceed positive incentives.<sup>310</sup>

Similarly, social security provision became more targeted in all the countries analysed. As discussed in the previous section, targeting (both through category and means/need) was accentuated in all countries, but whereas in the Netherlands the provision was first and foremost targeted with regard to specific categories (such as workers), the UK programmes have increasingly targeted social provision to claimants' need and means. In Finland, increased targeting was equally focused on both the claimants' category as well as on needs and means. Compared to the other countries, the Dutch insurance programmes were targeted more to waged workers with a reasonably long work history (hence the two plusses in Table 6.1). In the course of 26 years, eligibility conditions in respect to work were most stringently tightened in the Netherlands (at least to receive a benefit for more than three months), and targeting benefit provision by category to wage workers and work-relatedness became more important within all insurance benefit programmes. Some elements of means-test and need-based provision were implemented in the Netherlands (e.g. means-tested benefits such as IOAW and TW). However, we consider that their significance is relatively small since they merely supplement the existing social assistance programmes. In the UK, few reforms were implemented to target benefits to workers. Rather we found more targeting towards need and means (justifying the two plusses in Table 6.1). Some of this increased need/means orientation was a by-product of the reduction of the importance of insurance provision generated by reforms abolishing non-contributory benefit programmes (for the disabled), shortening the duration of and cutting rates for insurance benefit payments and so forth. Reforms in the UK brought about additional means-test elements (e.g., where occupational pensions cut the rate of benefits, or for in-work benefits for low income families). In Finland, we found that targeting by category became more pronounced during the last decades, and reforms have increasingly targeted benefits on people in the labour market, rather than to all citizens as was at least intended

310 As noted earlier, our research listed only activation measures related to benefit receipt of three particular benefit programmes. Making claims that the UK and the Netherlands had less positive incentives does not mean to say that there are no or less positive incentives available in the countries, rather that they do not exist under these specific programmes, and that as also happens to be the case in these countries, they are regulated under another programmes, such as through tax system, or through municipalities etc.

in the early 1980s. New aspects of means-testing were also introduced in Finland, for instance, in the national pension programme. Even though, the purely universal national pension programme had been a rather recent innovation in Finland, since the eligibility to the additional components had depended on claimants and their partners earnings up to 1982, the introduction of a means-test in the New Millennium changed considerably the nature of the national benefit programme and even though it added only a partial means test for any other pension income it made an end to universal pension provision.

#### *6.1.6 Conclusions of benefit reform compared across countries*

To sum up, we conclude that clear trends of benefit reform prevail in all three countries investigated here. As expected in hypothesis 4 that suggested the increasing importance of work in the entitlement criteria and obligations for people initially claiming and remaining on benefit, we found that work plays an increasing role in establishing the right to benefit (access as well as level and duration), and that more conditions promoting activeness have been set for claimants to legitimate their benefit receipt. Additionally we found that benefits have been increasingly targeted (to workers, to some groups outside the labour market, or to people in need of financial aid), and that cuts have been made to benefit entitlements, both visible, direct cuts, as well as creeping, indirect cuts. The picture arising from our data is that claimants in 2006 had, generally speaking, more difficulties in accessing benefits, met lower benefit rates, and have more obligations to satisfy than those claiming the benefits in the 1980s. These trends are observable in each country (as well as in each programme as will be demonstrated in the next section), yet we found variations within trends at country level. Generally speaking, benefit generosity has been reduced in the UK in particular, where targeting by means has gained ground under social protection programmes. In the Netherlands, insurance benefit programmes have above all been more strictly targeted to workers with a long and solid work history. In Finland, finally, targeting of benefit has also gained in importance, on the one hand for workers, and on the other hand, for people in need. Based on the existence of these four rather clear European trends in all our countries we can later in this chapter contribute to the ongoing discussion of convergence of European welfare states. But before this, we need to look more precisely at developments at programme level. To remind the reader, an important objective of our analysis highlighted in Chapter 2 was to study reforms by using detailed data over several programmes and over a long period of time, and therefore, to contribute to the existing empirical work on benefit reform. This gives us the empirical evidence needed to tackle hypothesis 3 concerned convergence and the presumed importance of the analytical level of this.

## 6.2 Benefit reform compared across benefit programmes

In the following sections, we seek answers for questions concerning similarities and differences of the trends at programme level (unemployment, sickness and disability and social assistance programmes), namely: do the trends vary with respect to their strength at the level of benefit programmes?

### 6.2.1 Trends and their variations in unemployment insurance benefit reform

The reforms in the UK, the Netherlands and Finland indicate that the change in the unemployment insurance programmes is parallel to the trends found at the general level. In fact, it is amongst the unemployment benefit programmes where we observe the strongest trends. Table 6.2 summarises our findings.

**Table 6.2.** Strength of common trends in unemployment insurance benefit per country over time (1980–2006).

	Reduction of generosity	Work-relatedness	Activation	Targeting (category)	Targeting (need/means)
UK	++	++	++	++	++
Netherlands	++	++	++	++	+
Finland	+	+	++	++	++

Note to Table: + trend exists, ++ trend is strongly present.

#### Reduction of generosity

In the UK, in particular, benefit rates have been cut for unemployed jobseekers by cutting the levels (abolishing (earnings-related) supplements), binding the level to claimants' age, and cutting duration. Similarly, cuts to benefit percentages, and particularly the reduction of benefit payment duration has reduced the generosity of the Dutch unemployment benefit programme as opposed to the 1980s and 1990s. In these two countries, the trend of reducing generosity has been strongly present. In contrast, only minor cuts in benefit generosity were made in Finland in this period. Yet, in addition to direct cuts, we must not forget that benefit generosity can also be reduced by implementing hidden, or indirect cuts, such as those caused by suspension of indexation. Generally during economic downturns, such measures have led to a decrease in generosity in all countries, Finland included, where benefits were not regularly indexed during the 1990s and this led to an indirect decrease of the benefit entitlements. It also worth noting that the countries analysed here differ in terms of their indexation mechanisms, that is, how they maintained the value of benefits over time. In the UK and Finland indexation was linked to prices, whereas in the Netherlands benefits are

indexed in line with wages. Indexing benefits in line with prices has the advantage of maintaining the value of benefits in real terms and protecting claimants' entitlements during periods when inflation rises faster than increases in earnings. However, earnings generally rise faster than prices, which is beneficial for the Dutch recipients whose benefits are in principle indexed in line with wages. If indexation does not follow the general increases in wages and purchasing power as is the case in the UK and Finland, the gap between workers and social security benefit recipients' income increases. Roughly speaking, different indexation mechanisms across countries (UK and Finland indexing in line with the prices, and the Netherlands in line with the wages) may lead to a situation whereby benefits in the Netherlands are more in line with welfare developments. By the end of 2006, the national sources employed for the present research (UWV 2006 for the Netherlands ; Kela 2005 for Finland; CPAG 2006 for the UK) demonstrate that the Dutch have the most generous unemployment insurance benefits (75/70 per cent of the previous wage), followed by Finland (flat-rate x 45 per cent of previous wage), and finally the UK (flat-rate benefit). However, what lowers the total entitlement in the Netherlands and in the UK is that payment duration in these countries has been reduced considerably (in the UK the maximum is six months, in the Netherlands the duration of benefit payment varies from three months to three years and two months). Recipients (with a short work history) in the UK and Netherlands must thus claim means-tested assistance much sooner than those in Finland (where unemployment insurance benefit is paid to everybody for 500 days). In the Dutch case, duration of unemployment insurance also depends on the claimants' past work history. This makes the Dutch programme generally more favourable for the (older) unemployed with a long work record, whereas in the UK and Finland, the duration of unemployment insurance is in principle the same regardless claimants' past work history (provided that they pass eligibility requirements). Yet, in the UK, benefit entitlements depend on claimants' age, and this, at least in theory, favours the older over the younger. The JSA programme provides much lower insurance benefits for the young aged 18–24 even though they have paid the same contributions as other claimants. The young also experience lower benefit rates in the other two countries. The right to unemployment insurance is more closely linked to claimants' work history in the Netherlands, which disadvantages people with no or only a short work record, particularly the young and school-leavers. Similar trends can be seen in Finland, where the most drastic measures took place during the recession years in the early 1990s. In addition to the longer waiting period for labour market entrants, the labour subsidy rate of a person living at home (often young people) has been reduced. In sum, benefit rates have been reduced for both the UK and Dutch unemployed, yet, it is the young in particular who have faced much lower entitlements over time.

#### Increase in work relatedness

Unemployment benefit claimants and recipients in 2006 are increasingly linked with more obligations towards (taking up) work than 26 years ago. Persons claiming unemployment benefits in all our countries are required to be available for work, to be

registered at an employment office, and demonstrably seek employment. Claimants are also required to attend interviews, where their potential on the labour market is determined and where they can be efficiently guided towards activation measures (training, job experience, subsidised work) that would improve their employability. All countries in our research require a longer work record to qualify for benefits in 2006 than they did in 1980. There are, however, fundamental differences between countries in how the work record is determined and the strictness of the qualifying conditions, as was extensively discussed in the empirical chapters. After 26 years of policy reform, the link between benefit receipt and past work record has been most significantly tightened in the Netherlands, where the work record requirement for the unemployed people increased six fold from the initial requirement in 1980.<sup>311</sup> Between 1980 and 2006, the NI contributions requirement in the UK has also been tightened.<sup>312</sup> The rules were least restricted in Finland, where the work (and membership) condition was extended only by four months during the last decade. The consequences of harsher qualification requirements can be considerable: leading to more unequal treatment of young people, women with care responsibilities, ethnic minorities with poorer employment chances, and people in atypical or precarious work, who may experience more difficulties entering programmes. Tougher work conditions also widen the gap between labour market insiders and outsiders to be able to have a right benefit. As discussed earlier in this chapter, reforms have led to a smaller group of key workers (with a sufficiently long and solid work record) qualifying for insurance benefits in all countries. This has, together with the substantial cuts in benefit payment duration, led to a progressive growth in the scope of means-tested support among the benefit provision for the unemployed (we return to this discussion shortly in the section of targeting).

In addition to tighter access rules related to claimant's past work history (most strongly present in the Dutch reforms), we observed increased work-relatedness through tightening access rules related to claimants' (behavioural) obligations to be available for work, seek it and accept it if offered. Although all countries implemented stricter obligations for claimants to co-operate with benefit administrators, it is the UK that perhaps stood out when it comes to the strictness of the obligations related to benefit receipt. The Jobseekers' Agreement and The Jobseekers' Directions (implemented under JSA) introduced substantially stronger instruments for encouraging claimants to work with benefit administrators. We must note, however, that we can only make careful comparisons between countries by using our data, since labour market conditions

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311 The work record condition was extended from 30 days in 1980 to at least 26 weeks of the last 36 weeks in 2006. In practice, even a longer work record is needed in 2006, as to receive the same benefit duration as in 1980 (130 days, which is about 6 months), a person must have worked at least 26 weeks out of the last 36 weeks and four out of five years and have an actual work record of six years.

312 This was done by providing that contributions have now to be paid (rather than credited), and payments must be made in the more recent past (must be paid in for one year in the last two years as opposed to for one year in all tax years previously), and, importantly no partial UB is available for people with insufficient contribution record. With respect to the last point, abolition of partial UB, we must however point out that there is a functional equivalent available, that is, tax credits that compensate for the loss of income previously dealt with the partial UB.

related to activation vary considerably at the administration level (see for instance Wright 2003b for differences in street-level bureaucracy even within a country). In sum, work-relatedness has been increased in particular in the Netherlands (by more stringent work record requirements), whereas in the UK this was done by adopting more punitive work search conditions.

#### Increased activation

While unemployment programmes require claimants to be available, to register at employment office, and to look actively for work, programmes also implement requirements regarding the faster acceptance of job offers and participation in activation programmes. This was evident in all countries, but the countries varied in some respects, particularly with respect to the instruments used. On the level of legislation, however, countries differed little in terms of implementing such measures to unemployment insurance benefits. In all countries, the employment of unemployment benefit recipients was both encouraged (by work trial periods protecting recipients from unsuccessful periods of work try-out and by providing financial incentives for participating in a programme) as well as obliged to participate in activation programmes (backed up with sanctions that reduced or even abolished the recipients' rights to the benefits). However, whereas the activation of Finnish jobseekers through unemployment benefits has been characteristically encouraged by generating financial incentives (supplements such as daily or travel allowances, or raising earnings-disregards) for benefit recipients to work, reforms to British and Dutch unemployment programmes have emphasised more obligations and sanctions. In the UK and Netherlands, people who want to work are provided with incentives through tax benefits, subsidised jobs, training etc., but these measures generally exist outside unemployment benefit programmes (and are therefore not discussed here). Finland has only recently taken steps towards increasing responsibilities of recipients. Through the Rehabilitative Work Activity measure and the recent Society Guarantee, the role of obligations and sanctions in the Finnish system has become more important. Such changes in legislation reflect a shift in attitude requiring Finnish claimants to share some of the responsibilities (similar to the obligations) such as set under New Deal programmes in the UK and the Gatekeeper Test in the Netherlands.

A common trend in activation measures, as referred above, was that the obligation to work was particularly directed towards the young. Perhaps, the harshest measures have been implemented in the UK, followed closely by Finland and the Netherlands. In the UK, the introduction of the YT, provided young people aged 16 and 17 with training, and work experience places aimed at ending youngsters' benefit dependency. Similar measures have been introduced in the Netherlands (JWG) and Finland (an obligation set for Finnish municipalities to find work for the young), which aimed at providing training or work experience places for unemployed young people and school-leavers. In addition to the young, the long-term unemployed were also commonly included in activation measures, such as training, job creation, work experience, counselling,



and job search programmes. The number of programmes considerably increased in the 1990s. The analyses also indicate: that the recent trend underlying the activation reforms is a widening of the scope of rules, rather than tightening the rules further for the traditional categories of the unemployed. In the 1990s, most activation measures were targeted to the young and long-term unemployed, but in the 2000s, we observe that the net is spread to also include those who traditionally have not been expected to work. Consequently, activation measures start earlier in order to prevent long-term unemployment and are targeted more on those perceived as being at risk of long-term dependency. Furthermore, groups who were earlier on written off from the labour market, such as single mothers or parents with care responsibilities, and older workers with diminishing work capabilities (and so forth) to work face more obligations for work. Most clearly this has been the case in the UK and the Netherlands, and to some extent, also in Finland (with respect to older workers at least).

#### Increased targeting by category

All countries have targeted unemployment insurance benefit on workers. Our empirical analysis clearly demonstrates that a more explicit distinction is made between insurance programmes for workers (with a long and solid work record) and means-tested assistance programmes for the unemployed who do not qualify for workers insurance, or whose maximum duration on insurance has expired. This was caused by reforms that tightened requirements for claimants (related to their work record) to qualify for a benefit, but also by restricting the category of unemployment benefit recipients. The scale of declining contributory benefit is most clearly pronounced in the UK, where after a substantial cut in benefit duration under the JSA and the introduction of harsher NI contribution requirements only a small group of the unemployed qualifies for workers insurance. This is also confirmed in Clasen's (2005) study, which shows that the percentage of people receiving unemployment insurance benefit (as share of the registered unemployed) in the UK dropped from 48 per cent in 1980 to only 16 per cent in 2001. At the same time, the number of unemployed people receiving means-tested support grew from 40 per cent in 1980 to 70 per cent in 2001 (Clasen 2005: 59, Table 4.4). We observe similar developments in the other two countries analysed here. Our data indicate that unemployment insurance has retained a strong role in compensating lost income in the Netherlands, but the cumulative cuts in benefit duration (including shortening the duration, abolition of follow-up benefit and so forth) and much stricter conditions of eligibility for insurance benefit have led to a rise in the number of claimants ineligible for insurance benefits and to a greater flow of people to means-tested unemployment assistance, particularly in times of high unemployment. This also applies to Finland. However, in the Finnish case, the increase in the importance of means-tested support for the unemployed was to a lesser extent related to more stringent eligibility rules or reduction of benefit duration, as there has been little change in such rules. Rather this was caused by weakening of the basic provision for the unemployed as will be elaborated shortly. In addition to targeting the benefits on workers as a category, we observed also two other groups that have faced changes

under the unemployment benefit programmes. In the 1980s persons with diminished working capabilities (and long-term unemployed) were channelled to early retirement either through new early retirement arrangements in Finland or through social assistance or disability benefit programmes such as IOAW and WAO programmes in the Netherlands or through granting them the long-term Supplementary Benefit in the UK. Such reforms were favourable in the sense that the conditions under the other complementary programmes (such as early retirement programmes) were generally less stringent (that is, they required fewer obligations with regard to availability for work, and seeking work) in comparison to the conditions faced by jobseekers under unemployment benefit programmes, or they embedded a smoother means-test (such as IOAW). In some cases, such programmes could also provide more generous benefits (for instance, the early retirement programmes in Finland). Furthermore, a common trend, as discussed earlier, is that the young (based on their age, or their status as students or labour market entrants) faced more difficulties accessing unemployment insurance after 26 years of reform. In all countries under investigation, students can no longer claim unemployment benefits. However, countries vary on how young people are disqualified from unemployment insurances. In Finland, the young (based on their status of labour market entrants) cannot qualify for unemployment insurance benefits until a significantly longer waiting period than before has passed (five months as opposed to five days to others). The priority of work to benefit also became clear for Dutch young people in the mid 1990s when they, were obliged to accept almost all jobs at once, with some exemptions for university graduates. In the UK, unemployment insurance benefit receipt for the young was hampered by making benefit levels less generous and embedding more work-related conditions, hence, making benefits less attractive. Our data analysis illustrates, that the importance of belonging to a category of unemployment benefit recipients (being resident in the country, being involuntary unemployed and so forth) is increasingly linked to particular conditions and obligations set for benefit claimants related to their past work record and current willingness to work. In other words, being out of work is by far not enough to be entitled to benefit.

#### Increased targeting by need/means

As argued above, targeting towards need and means-testing has become more important to the unemployed particularly in the UK and Finland, but for different reasons: due to cuts in benefit duration in the UK (as discussed above) and due to weakening of the basic provision in Finland. This example demonstrates how different responses can produce a similar outcome. In Finland, for instance, we observed that the available basic provision for the unemployed (for workers with a work history, who are not members of the unemployment fund) lost its importance, which led to more targeting of unemployment provision to either workers insurances (as referred above) or means-tested assistance. Therefore, the role of means-tested provision increased in importance in Finland not so much due to tighter eligibility and entitlements rules as was the case in the two other countries, rather this had to do with weakening of

basic provision. In the UK and the Netherlands, such favourable programmes for labour market outsiders were already abolished in the 1980s.<sup>313</sup> In Finland, a more comprehensive Basic Unemployment Benefit was introduced fairly late, in the 1990s. Although its importance has decreased, it still exists and currently people who have undertaken activities other than wage work (child care, people satisfying their military service etc.) in the past can qualify. The importance of the basic provision has, however, decreased over time, and led to a situation in which most claimants with a sufficient work history (and the necessary membership of the unemployment fund) qualify for earnings-related workers' insurance in Finland, and those who have no work history will end up to means-tested provision anyway. Another explanation for the relative significance of means-tested provision within Finnish unemployment provision is that (since the 1990s) an increasing number of unemployment recipients are long-term unemployed and therefore claiming means-tested assistance after the expiration of their insurance benefits (Statistics Finland 2006).

### 6.2.2 Trends and their variations in sickness and disability benefit reform

This section compares the trends in British, Dutch, and Finnish sickness and disability protection programmes between 1980 and 2006. A closer look at national level indicated that trends in these programmes are parallel to the general trends presented above, but certain trends (such as work relatedness and activation) were less prominent here than in the reforms in the unemployment benefit programmes. Table 6.3 sums up the findings.

**Table 6.3.** Strengths of common trends in sickness and disability benefits per country over time (1980–2006).

	Reduction of generosity	Work-relatedness	Activation	Targeting (category)	Targeting (need/means)
UK	++	+	+	+	+ / ++
Netherlands	+	++	++	++	++ / +
Finland	+	+	+	+	+ / ++

Note to Table: + trend exists, ++ trend is strongly present.

#### Reduction of generosity

Similar to unemployment benefit programmes, the UK programmes for the sick and disabled have experienced the most significant reduction in their entitlements. The

<sup>313</sup> Programmes such as WWV in the Netherlands and a chance to credit NI contributions and a reduced rate unemployment benefit (for workers with incomplete contribution record) in the UK provided also a sort of basic provision under the unemployment benefit provisions.

abolition of earnings-related supplement and most supplements (or restriction of the access) together with the doubling of short-term sickness benefit payment duration (being paid at lower level) up to one year have reduced the benefit generosity in the UK considerably, and made it the only country analysed here without an earnings-related benefit programme for ill workers.<sup>314</sup> During the period under review, Dutch benefit rates have become a little lower. Yet one must keep in mind that in the Dutch case, benefits for the partially disabled may today be much lower, since benefit rates finally depend on an individual's capability and ability to find work. In Finland, benefit rates have mainly been reduced through an unfavourable indexation mechanism for minimum benefits (sickness and disability benefits). Indeed, and similar to unemployment benefit reforms discussed above, rates of sickness and disability benefits can be reduced by freezing indexation, that is, without significant direct cuts to entitlements. However, programmes can vary with respect to the implementation of indexation. For instance, the Finnish flat-rate sickness benefit for people without work income (Minimum Sickness Benefit paid to students, housewives etc.) appeared to have declined due to less favourable indexation as opposed to its earnings-related counterpart (for this, see Honkanen 2006a). After 26 years of policy reform, the Dutch programme provides most generous benefits (at least 75 per cent of the previous wage), followed by the Finnish programme (providing both earnings-related and a comprehensive minimum benefit), and finally by the British programme, providing only both flat-rate (minimum) benefits. But in order to receive the full rates, claimants must be fully or permanently disabled, and, after tightening the medical assessment conditions as discussed below, this means that only a small proportion of the work incapacitated have access to these 'generous' provisions.

#### Increased work-relatedness

Our analysis clearly indicated that reforms aiming at re-entry to the labour market (encouraging and obligating people to work) were generally directed to the unemployed (both to recipients of unemployment and social assistance benefits). Work relatedness as an eligibility condition has been strengthened only for the Dutch partial disability benefit, which today necessitates satisfaction of a work history requirement also for sick claimants. Otherwise, work-related conditions (seek work etc.) remain very limited in importance for the sick and disabled and only cover participation activities related to re-assessment procedures. Indeed, we observed some increase in work-related conditions (with regards to behavioural requirements) for recipients of sickness and disability benefits. Alongside developments in the field of unemployment provision, passive benefit receipt is no longer allowed, and even people assessed fully and permanently disabled face new conditions regarding co-operation with the benefit administrators by taking part in interviews. Recipients today must actively

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314 For British workers with income above a certain limit, there is a sickness benefit which provides them higher benefit for the first period of illness than for people claiming national insurance based sickness benefit, but this benefit (SSP) is not an earnings-related benefit.

participate in rehabilitation measures if so indicated. The countries vary in that that the Dutch and British programmes appear to aim at faster re-integration to the labour force, as it is now in the interest of their employers (who cover the costs of short-term work incapacity) that workers return to work as fast as possible. Whereas in Finland, pressure from employers to return is (at least theoretically) less and claimants can remain on sickness benefit (if incapacitated for their own work) until their disability claim is inspected. As discussed below, the Dutch and British programmes require people on sickness benefit to be much sooner incapacitated from all work, whereas the Finnish programme starts off by requiring that person can not do their previous job, and only when assessing rights to disability pension are persons assessed with regard to whether they can take up any kind of employment.

#### Increased activation

Element of activation plays a less significant role for the recipients of sickness and disability benefits, except for those assessed partially or temporarily disabled. In the Netherlands and Finland, these people are expected (hopefully) to return to work after reintegration period is finished, in the UK there is no sickness and disability benefits available for partially and temporarily disabled.<sup>315</sup> In all countries, claimants are required to participate in interviews and reintegration activities which also can be considered as a milder form of activation; certainly if compared to activation for unemployed, activation for disabled is less likely to be compulsory or less related to taking up work. Yet, it is first and foremost Dutch benefit recipients (with partial disability benefits) who faced considerably more activation measures. They must, for instance, seek work, accept it if offered, or undertake activities that would improve their chances on the labour market. In comparison with the partially disabled, claimants with a full (or permanent) disability are freed from most of these requirements. However, even they are required to attend interviews and satisfy re-assessments to legitimate their benefit receipt from time to time.

#### Increased targeting by category

As opposed to the beneficiaries of unemployment benefits, sickness and disability benefits do not only cover wage workers. Indeed, although sickness benefits are geared towards compensating the loss of (wage) income due to sickness, countries still vary profoundly with regard to the coverage of the programmes. For instance, in the UK and Finland, in addition to workers, people outside of the labour market can access the benefits, and this applies to the young disabled in the Netherlands. Targeting of sickness and disability benefits most evidently takes place by sorting individuals with

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<sup>315</sup> Although the British and Finnish programmes cover only fully and permanently disabled, Finnish rules are more inclusive while people with disabilities from 60 per cent are included and there is a benefit programme for temporarily disabled. The Dutch programme, as only one in the research, covers also the partially disabled (between 35 and 80 per cent disablement) In the UK, there are tax benefits available for partially disabled workers.

respect to the degree of disability (with respect to ‘needy category’). Targeting benefits on people genuinely incapable for work, by selecting through more stringent medical assessment, has become an important precondition for accessing sickness and disability benefit programmes in all three countries. For first period of illness, claimants generally have to be incapable of doing their own job (generally wage work, but also study or do housework in Finland). After a certain period on benefit, recipients are required to satisfy a stricter test to remain eligible for the provision, which defines whether recipients are capable of doing any job at all. Although the first test is rather similar in all countries (can individuals do their present job), the second test is much more stringent in the UK and the Netherlands. The rules governing the definition of ‘any job possible’ are considerably flexible in these two countries since suitable job definition excludes only much lower degree jobs (as the case in the Netherlands), whereas only jobs in the same (or almost the same) scale related to individual’s previous job, age, and education are relevant in Finland. The second test is also applied more quickly in the UK and the Netherlands than in Finland.<sup>316</sup> In all, the British programme seems to be the strictest programme when it comes to eligibility requirements: only fully disabled persons (with a 100 per cent work incapacity) who can not take up any work are provided with a disability compensation. However, matters such as establishing access to disability benefit (and its change over time) are very difficult to compare at the level of legislation, since the granting of benefits depends largely on the expert opinion of the authority performing the test.

We observed that, with respect to targeting by category of the young, reforms in sickness and disability programmes were rather contrast to those of unemployment insurance programmes. As we described above, the young were largely removed from unemployment provision, but for the sickness and disability reforms, age seems to play a more positive role in establishing the right to disability compensation. In the Netherlands and the UK, access of the young has been facilitated through respectively transferring the young disabled from AAW to WAJONG benefit as only group remaining eligible for non-contributory disability benefit in the Netherlands and through covering the young (without contribution record) under the Incapacity Benefit in the UK.<sup>317</sup> In Finland, also students are covered under basic Minimum Sickness Benefit, which evidently is favourable for the young.

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316 The second test is applicable after the first 28 weeks in the UK, and between six weeks and two years in the Netherlands. In Finland, the law regulates that a medical test takes place after 60 days, but generally people unable to do their own job can remain claiming benefits until the end of the sickness period (300 days). In addition, in Finland, the medical test has not been formally revised during the last 26 years, but similar to the British and Dutch programmes, the gatekeeper, that is, the authority making the decision regarding eligibility to benefit (a GP in Finnish case), must indicate (from 1996 onwards) the remaining capabilities for work, and not only the in-capabilities of the person.

317 Such reforms (WAJONG, IB) included, however, those young (under age of 20) who have never been able to work due to their disability.

## Increased targeting by need/means

With regard to targeting by means, we found evidence for particularly for the UK and Finland. Finnish means-tested minimum sickness benefit was abolished in the 2000s, while the national disability pension remains, it is tested for claimants' other pension income. Similarly, a means-test has been introduced for occupational pension income in the UK, which cut both the generosity and comprehensiveness of British disability programme. Yet, as the means-test embedded in the disability benefit programmes considers (some of) the claimants' pension income, it plays a less stringent role in benefit rules in comparison to the means-test embedded in the assistance programmes for the unemployed (which may consider all household income, as discussed in the next section).

### 6.2.3 Trends and their variations in social assistance reform

The third section compares the trends in social assistance benefit programmes in the UK, the Netherlands, and Finland between 1980 and 2006. Generally speaking, social assistance programmes did not vary substantially between countries or over time. Coverage and generosity have remained reasonably similar, but programmes have been made more discretionary and more conditional on recipients' willingness to co-operate with benefit administrators across all three countries. Table 6.4 sums up the findings.

**Table 6.4.** Strengths of common trends in social assistance per country over time (1980–2006).

	Reduction of generosity	Work-relatedness	Activation	Targeting (category)	Targeting (need/means)
UK	+	0	++	++	++
Netherlands	+	+	++	+	+
Finland	+	+	++	+	+

Note to Table: + trend exists, ++ trend is strongly present, 0 means that this trend is not relevant (since the British IS is not available for those who are able to work).

#### Reduction of generosity

Reforms have produced slightly less generous benefit programmes, but fundamental cuts were rare. This is a rather obvious conclusion when speaking of reforms to national minimum benefits and programmes with a last resort safety net function.<sup>318</sup> The UK, the Netherlands, and Finland differed considerably both in the definition of

318 Also, as we saw in the Finnish case, there are laws against fundamental cuts in the minimum income programmes.

minimum income and in technical ways to determine the level of social need (for this, see Kuivalainen 2004: Chapter 6). Therefore, it is very difficult to compare benefits levels (particularly when one should take also other benefits, housing benefit, child allowances etc. into account when calculating the total entitlements of the claimants). Based on our analysis, we state that means-tested benefit entitlements have been both raised (particularly in Finland in the 1980s) and reduced. Suspension of indexation has cut the rates of minimum benefit in all three countries, similar to the unemployment and sickness benefit programmes discussed above. In addition, rates for the young have been cut in the UK (for 18–25-year-olds) and Finland (young persons living in the parental home), and it was made possible in the Netherlands to reduce benefit rates for the young (aged 21–27) if full benefit could be considered preventing their entry to the labour market. On the contrary, rates for families and pensioners have been raised (through supplements, tax credits etc.), in particular in the UK. Increase in discretion was observed in all countries, but on the level of legislation, no fundamental variation was visible (but, see also Davidson 2005 for cross-national differences in administration of discretionary provision in the UK and the Netherlands for more profound differences). Increased discretion together with the changes discussed above means that entitlements are ever increasingly dependent on the personal situation of claimants.

#### Increased work-relatedness

Work relatedness is strengthened by increasing the obligations set for claimants to find and accept work, with the exception of the British IS which does not expect claimants to be available for work, but who are still encouraged, perhaps more than in other countries to take part in activation measures, as discussed next.

#### Increased activation

Similar to unemployment insurance benefits, claimants of social assistance are required to participate in activation measures, and this tendency has grown over time: social assistance programmes have come to include more conditions with regards to claimants' willingness to co-operate with benefit administrators, more incentives to take up work (in-work benefits, increased earnings-disregards, protection against loss of right for trial periods of working etc.), and more sanctions to prevent misbehaviour. On legal grounds, countries did not vary profoundly with respect to ideas of activations, and often similar measures were introduced to the unemployment and assistance programmes. But again, perhaps the British programme is slightly more punitive about activation than the other two countries: benefits are targeted to those in need, and such positive needs recognition can be beneficial for some groups (older, lone parents, families), but their right to aid is bound to behavioural conditions that oblige them to co-operate with benefit administrators. However, more than jobseekers, we



see that social assistance beneficiaries are encouraged to work by providing financial incentives (higher earnings-disregards, lump sum incentives etc.) in all countries.

#### Targeting by category

Targeting within means-tested programmes has changed only a little with regard to the categories covered in the sense that social assistance programmes are still programmes for last resort security paid at minimum level for those in need. There is, however, one important exception to this rule, namely the changes in targeting by age at the early and late period of observation. Similar to unemployment insurance programmes, there was a clear tendency to restrict access of people over 18 and under 25, or based on their status of students or labour market entrants. In all three countries, maintaining a livelihood for people under 18 is now seen as a task for their parents. Stricter access conditions for 18–25-year-olds are aimed at assisting young people to find an active role in society, rather than becoming dependent on welfare. Whereas access for young people was restricted in all countries, the opposite applies to older people, as their access was eased (or their special treatment was maintained at least) in most countries in the first decade viewed in this research. For instance, in the mid 1980s, new means-tested programmes were either introduced or they replaced former programmes for the older workers. In the Netherlands older and partially disabled workers were transferred from (the earnings-related) WWV to WW, or in some cases to the IOAW. In the Dutch case, IOAW was nevertheless a less generous and less attractive benefit (means-tested) than its predecessor, and could not be considered as an improvement for the older workers although it preserved their special treatment (in the form of smoother means-test) as opposed to what had happened to other unemployed persons. In the UK, a more generous (means-tested) Minimum Income Guarantee (MIG) programme was introduced for pensioners in the UK in the 1990s (and later replaced by a programme called pension credit) which is fundamentally more favourable for older persons than the general social assistance programme. In Finland, no improvement in social assistance for older people have been made, but this could be expected given that, rather than social assistance, it is the Finnish national pensions that aims at providing a sufficient livelihood for older persons (not only with regard to old age, but also with regard to long-term unemployment). We must note here that although the position for older claimants has generally been improved under social assistance, changes to social security since the 1990s onwards have aimed at closing the early exit route from employment offered by benefit programmes to encourage people to continue working.

#### Increased targeting by means

Targeting by means has been a crucial factor with regards to means-tested provision ever since introduction of social assistance programmes: eligibility is linked to the households' income and right to assistance arises only when families' resources are

lower than prescribed national minimum income thresholds. A means-test was embedded in the social assistance programmes in all countries. No profound variation has been identified based on our indicators.<sup>319</sup> We observed however that, mostly for activation purposes, earnings-disregards were increased in all countries since the 1990s. How much income claimants were allowed to have supposedly should be in line with the levels of general economic growth in all countries (through indexing earnings- and capital disregards as well as benefit rates), however, this was not always so successful. All countries suspended indexation on many occasions during the 1980s, 1990s, and 2000s. In practise, such measures meant that access to means-tested programmes (creeping) become more difficult in all countries.

#### 6.2.4 Conclusions of benefit reform compared across benefit programmes

This section has demonstrated that, despite the similar European trends, trends can indeed vary considerably between benefit programmes. The empirical observations made in this chapter support our previous claim that we should be cautious when making claims regarding benefit reform, and even more when on welfare state reform, at the level of a country. The more closely one looks, the more variation one sees. Table 6.5 sums the discussion up.

**Table 6.5.** Strength of common trends at the level of benefit programmes over time (1980–2006).

	Reduction of generosity	Work-relatedness	Activation	Targeting (category)	Targeting (need/means)
Unemployment insurance	++	++	++	++	+
Sickness and disability insurance	+	+	+	++	++
Social assistance	+	+	++	+	++

Note to Table: + trend exists, ++ trend is strongly present.

If we compare trends at the level of benefit programmes, we observe more variation.<sup>320</sup> In the case of unemployment insurance reforms we observe more of everything: more signs of reduction of generosity (cuts in level and particularly the duration of benefit payment), more work-relatedness, more activation, and more targeting (by category).

319 Social assistance programmes also varied across countries, for instance the means-test was the most stringent if Finland since it included both capital and income of claimants, whereas in the UK and the Netherlands the programmes tested first and foremost the income. However, our data on legal reforms to benefit rules indicated very few changes to these elements.

320 This is also why our Table 6.5 does not correspond with the respective columns in previous Tables (6.1–6.4). This sheds light on problems one faces when analysing reforms at the level of a country or a programme: whereas on a country level one can only draw general conclusion, on the programme level these conclusions are difficult to be confirmed (without any exemption) due to the contrasting findings within a programme level.

This brings us to the conclusion that, at the level of analysis at programme level, it has been unemployment protection, comprising both insurance and assistance that has been the object of the most extensive reforms in the past. The reforms over time have made these programmes less comprehensive, or at least more clearly distinguishing between generous insurance programmes for workers with a long work record, and less generous, often means-tested, programmes for other jobseekers, more embedded with compulsions and with the more stringent obligations in terms of activation. The analysis of reforms in sickness and disability benefit programmes revealed a strong trend towards targeting by category (degree of disability), and towards targeting by means (particularly in the UK and Finland). It is also interesting that the activation of the disabled seems to be less compulsory and aimed in our view at rehabilitating the disabled rather than bringing them specifically back to wage work, with the clear exception for the Dutch partial disability benefit. Stricter medical tests, in the UK and Netherlands in particular, ensure that benefits are targeted with respect to claimants' health condition and are available for those incapacitated for work. Means-testing plays an increasing role, both in the UK and Finland, but as these means-tests take into account only some elements of income (other pension income), their role is a slightly less significant than the means-test underlying unemployment assistance provision. Work-relatedness plays also a much lesser role for sickness and disability benefit than it does for unemployment benefit, as only Dutch partial disability benefit necessitates a work history and availability of its claimants to work. With regard to social assistance reforms we demonstrated that, as opposed to common trends, changes in benefit generosity are perhaps less substantial, and in contrast to unemployment benefits, in some cases the increased discretion underlying social assistance programmes, may even have positive effects for claimants and their entitlement levels. Furthermore, people in social assistance can, in some cases, be eligible for other supplements, such as tax credits, higher supplements etc. On the contrary, at the same time we observed that generally minimum benefits do not keep pace with growth in economic wealth due to the (intended and/or unintended) failings of the indexation system to keep up with economic developments. With regard to increased work relatedness, work plays an ever increasing part also for the claimants of social assistance. However, for these claimants, the past work (record) is irrelevant, but work readiness has become increasingly important. In other words, we see a cautious shift from past towards present work-relatedness and to some extent an increasing inclusiveness from unemployment to worklessness. With respect to activation and targeting by means the developments in social assistance have been very much in line with the reforms in unemployment insurance benefits. More conditions have been set and they are targeted to provide only a last resort aid. In the recent years, however, social assistance programmes (particularly through increased discretion) adopt a preventive approach to help people before they fall into 'persisting dependency'.

### 6.3 Conclusions: Melodies bristling with change

Comparison of policy reform in three countries and their policy programmes between 1980 and 2006 provide us with evidence for clear common trends. We found that work plays an ever increasing role in establishing rights to benefit (access as well as level and duration), we found that more conditions promoting activation have been set for claimants to legitimate their benefit receipt, that benefits have been increasingly targeted to workers or to people in need of financial aid, and that cuts have been made in benefit entitlements, both visible, direct cuts as well as creeping, indirect cuts. Based on these findings, we propose, in musical terms, that we hear certain melodies of change. The four common trends (increase in work relatedness, activation and targeting as well as reduction of benefit generosity) function here as leitmotifs, leading motives, that help to bind a work together into a coherent whole and they enlighten us with the music of welfare state change. However, the matter is not so simple, as one may anticipate when viewing a complex institution such as the welfare states. Despite similar melodies reverberating, the intensiveness of the trends may vary across different countries and programmes: in different countries or programmes, some trends can be more strongly emphasised than others. To go further with the musical terms, we can thus observe variation in the pitches (frequency of the sound) and volume across countries and programmes. Observation of trends in individual countries demonstrates that even though we can see similar trends prevailing in the reforms implemented by each country we investigated, some trends are more strongly manifested in some countries than in the others. For all policy programmes investigated here, we established how there is in the UK a major tendency of increasing targeting by means and reducing benefit generosity, whereas in the Netherlands we see that reasonably generous insurance benefit provision has been preserved, but that the insurance programmes are more strictly targeted for workers, and in particular for key workers with a long and solid work history or of those fully incapacitated for work. In Finland, we see greater targeting of benefit on the one hand towards workers and on the other hand towards people with a real need, but preservation (but weakening) of basic provision. One must also note that there are also variations in the nuances within a trend. For instance, whereas, in the UK work-relatedness grew particularly through more stringent labour market conditions (related to availability and active search for work), and to a less extent, through stricter work-related eligibility conditions (as contribution requirements for NI insurances have solely been tightened), it were precisely the stricter eligibility rules with respect to claimants' past (work record) that marked the developments in the Netherlands. In Finland, work-relatedness was mainly emphasised through increased obligations to be available and seek work, and, to a lesser extent, through increasing eligibility requirements with respect to work. Although some variations prevail (both within trends and programmes at national level), these main trends in a country are relatively constant. This means that, for instance, the reduction of benefit generosity has underlined the reforms across-the-board in the UK (from unemployment to sickness provision), while stricter targeting underlines the Dutch (related to category) and Finnish (related to category and needs-test) programmes.

Yet, the more closely one looks, the more variation one finds. Our scrutiny of policy reforms indicated that there are, in addition to the variation of trends at country level, considerable variations of trends across programmes. In general terms, the most stringent changes have affected the unemployed, and their rights and conditions have been most affected by increased conditions regarding work relatedness and activation. Today's unemployment benefit programmes are more strictly linked to claimants' past work record (particularly unemployment insurances) and willingness to work (both insurance and assistance). This has not happened to the same extent for benefits related to sickness and work incapacity. In contrast to unemployment benefits, sickness and disability benefits require claimants to satisfy stringent medical tests to prove incapacity for work, such benefits have been first and foremost targeted to the category of the (fully) disabled and to those in need. Work plays a part in the provision for the sick in some cases: for instance the Dutch disability programme encourages the partially disabled to use their remaining work capacity. In the Dutch case, a strong link is made between sickness provision and reintegration to work, whereas in Finland and the UK, this link is less stringent. Additionally, both the Finnish and British programmes cover people outside of the labour market. Furthermore, most activation measures have also been directed to the unemployed, and to a less extent the disabled. Countries vary in terms of types of activation measures adopted when providing incentives to work. Financial incentives are commonly used to encourage people re-entering the labour market in Finland, while more obligatory and punitive obligations were used as part of the British and the Dutch programmes. With regard to the activation of the disabled, the measures used were commonly voluntary-based aid to help people back to work. Moreover, the use of means-testing affected some programmes more than others. Both the UK and Finland embed an element of means-test in their disability provision (but not in their sickness provision), however most means-tested elements are traditionally linked to unemployment provision (embedding both unemployment and unemployment assistance) in all three countries.

But what are the implications of our findings for the academic discussion of welfare state change? In this chapter we have broadly focused on the direction of reforms, and tried to capture the common trends (and their variations) between countries and programmes. Based on the (non) existence of trends, we can contribute to the ongoing discussion regarding convergence or divergence (as outlined in our research question set 2 in Chapter 2). The similar trends found in this chapter (strengthened the work-relatedness, increased activation, more targeted benefits, and reduced benefit generosity), *indicate that, in our view, convergence is occurring*. It is clear now that countries have become similar at the level of broad policy goals. Additionally, we see that some similar alterations in benefit programmes have taken place. For instance, similar reforms have been implemented that have extended the work record requirements (based on work history or contribution requirements), have implemented similar activation programmes for the young (YT in the UK, JWG in the Netherlands, and municipal responsibility to find work or training for the young in Finland), targeted earnings-related benefits for waged workers, and targeted more discretionary social assistance to those in real need, as well as changes which have reduced the generosity of

benefit entitlements (benefit rates have been cut). However, one should not ignore the differences at the national and programmatic levels: countries follow different logics of redistributing welfare as illustrated earlier and similar trends can be, and most often are, translated into very different practises. For instance, whereas activation measures in Finland first and foremost include changes that encourage claimants to work, in the UK and the Netherlands activation measures have been based around obligations and sanctions. Other examples from the data, is that young people are subjected to a considerably longer waiting period in Finland, or obliged to accept work faster in the Netherlands. Further examples of activation measures are the introduction of financial incentives, increased higher earning-disregards in Finland, more obligations and harder sanctions in the UK, and the Netherlands, all of which can lead claimants to re-enter the labour market. Our results support our hypothesis 3 that stated that we can find convergence at the higher analytical level, and divergence at a lower level. Indeed, we found *convergence at the country and/or programme level of broad policy goals and divergence at the level of national instruments used*. These findings also confirm our assumption that the analytical level examined is important. Overall, we conclude that although the UK, the Netherlands, and Finland are still very different welfare states, they have converged with respect to policy outputs. The implication of our findings for the theory of convergence is that we must be very precise regarding the analytical level we adopt. This makes concepts such as convergence somewhat problematic to apply in empirical research (this applies also to other broad concepts, as will be discussed further in Chapter 7), especially when looking beyond macro-level indicators to details.

The four trends found in the present analysis also clearly support *our hypothesis 4 that the importance of work has increased*. The importance of work is seen most clearly in the reforms to unemployment benefits, but also to some extent, the benefit for ill and disabled, all of which are contingent on actively taking part in the process of moving away from benefit dependency. There are also barely any differences between the claimants of insurance or assistance benefit when it comes to the introduction of increased work conditions and responsibilities. As illuminating as the trends found in this research are, they are not new since we see that many authors (as discussed in section 1.4, Table 1.2) have already pointed out such developments in Europe. However, these authors have generally limited their studies to only one particular trend (activation, cuts in benefit generosity, or targeting). In order to understand the trajectories of contemporary welfare state, a research perspective such as ours, although extremely labour intensive, provides a more realistic picture of welfare state change in the broader realm of the particular benefit programme. Such findings support also our choice of research approach and provide grounds for our criticism of quantified indicators as outlined in Chapter 1. Scholars using quantified programme characteristics, such as replacement rates, or benefit duration, fail to see that benefit rights increasingly depend on a variety of different programme characteristics. For instance, simply examining replacement rates when looking at reforms in unemployment benefit programmes in the UK, Netherlands, and Finland ignores the increased difficulty in qualifying for the benefit in the UK and the Netherlands, that workers with a short work record may

receive the benefit for a shorter period (if not at all) than six months in the Netherlands, that people may end up on mean-tested benefits more quickly in the UK and the Netherlands, that claimants with a child may be granted supplements in Finland and the UK (but only for means-tested benefits, not for insurance benefits), and that people under a certain age (UK) or living with their parents (Finland) may have a lower benefit etc. Additionally, such average indicators do not capture the increased conditionality (towards work or rehabilitation) of benefits. The reality of benefit reform is thus more complex than standardised or average measures can denote, and therefore, in the basis of results of the in-depth empirical analysis of this study we need to adopt more detailed, yet labour-intensive approaches.

Additionally, our analysis reveals that there is *a clear intention of benefit programmes to view the eligibility of each claimant individually*: changes during the last 26 years have targeted benefit rights and responsibilities more closely to individuals rather than simply to particular groups. It still matters whether the benefit is granted as an earnings-related insurance benefit or a minimum (perhaps means-tested) counterpart of the provision for a certain group of unemployed or ill. Although rights under an insurance programme have been cut everywhere, they still result in a more generous system (for workers) than minimum provision. However, we see a clear tendency to review benefit rights on a case-to-case basis, rather than according to uniform rules for a certain group or category: it is no longer sufficient to be a worker in order to become eligible to an unemployment benefit, rather it is reliant on the claimants work history as well as their willingness to co-operate (by seeking for work for instance). This is something that fits loosely with theories of the individualisation of social rights. Authors referring to such individualisation (Lewis 2001; Knijn 2004; Hobson 2004) commonly assert that the most social security rights today are designed for individuals rather than for families, or the male breadwinner as they still were a few decades ago (as shortly referred in section 1.2). But it is at this individualisation of rights in the context of the breadwinner principle that such authors usually stop. Our findings indicate that in addition to the *de jure* individualisation referred above, there is also a *de facto* individualisation of social security benefit rights as a consequence of the reforms implemented, where responsibilities and obligations are increasingly related to the individuals' personal situation, and in many cases they presuppose or guide towards employment. Indeed, we see in our analysis that social rights have been internalised and have been related to claimants' personal status (such as age, past work record, willingness to find work or to use their remaining work capacity) to a greater extent than they were two decades ago. We call this *de facto* individualisation of social rights *individualisation by consequence*, requiring claimants, as well as recipients already claiming benefits, to show that they as individuals are trying to become economically active. Only after this the benefit claims can be legitimised.

In the final chapter we discuss our findings from the empirical chapters and the comparative chapter in the context of theories on welfare state change.

## 7 REFORMING SOCIAL SECURITY POLICY

This study has described and compared how social security benefit rights and conditions have been changed in the UK, the Netherlands and Finland between 1980 and 2006. In this final chapter we give a short summary of the study. We contribute to the theorising of welfare state change by evaluating the hypotheses on the scope and direction of reforms set out in Chapter 1, and by seeking answers to the remaining questions of theorising benefit reform as defined in the research question set 3, concerning the scope and direction of change, both across and within countries, and the meaning of our findings for the theories of welfare state change.

### 7.1 Towards a better understanding of benefit reform

The study departed from the observation that in the welfare state literature different, and sometimes conflicting, findings prevail concerning the direction and scope of welfare state change. Careful reading of the literature showed that developments within the welfare state can indeed vary considerably between different domains of the welfare state, for instance where the reforms of cash transfers are claimed to take place in an environment of permanent austerity, social services seem to operate in a very different atmosphere of expansion. Drawing on earlier work on welfare reform (e.g., Clasen 2005), we disaggregated the level of analysis into a series of investigations of particular social policy programmes. Limiting our analysis of benefit reform in this way allowed us on the one hand to account for the dynamics of change in policy-making, both across as well as within countries, but on the other hand, the focus on social security programmes also prevented us from drawing conclusions on welfare state change. This is a fair restriction, since viewing only a part of the welfare state is already a step towards a better understanding of complex developments within the welfare state.

To enrich institutional theories of welfare state change (mainly those claiming inertia or describing the frozen nature of welfare state), we concentrated in the empirical work of this dissertation on describing and assessing changes in institutional arrangements. We drew attention to the assumptions found in academic analyses that the type and magnitude of welfare reform can vary across countries, programmes or even groups claiming benefits. We developed theoretically informed hypotheses on change (how much, which type, where) and to improve the conceptualisation of welfare state reform, we suggested two new definitions to capture the direction and scope of benefit reform. We argued that the issue of direction of benefit reform refers to the effect the reform has on the degree of social protection offered by the benefit programme. We suggested that reforms that lead to fewer (or less comprehensive) benefit rights should be denoted as a change towards a lower degree of social protection. The opposite, a reform leading to an increase of benefit rights and/or a loosening of attached obligations would under this assumption mean a change towards a greater degree of social protection. We also proposed that reforms can change the programme without



affecting the degree of social protection. With these conceptual lenses we not only capture whether and what kind of changes occur (as commonly denoted through concepts as retrenchment, expansion etc), but also precisely how the programmes are changed. In our conceptualisation, we recognised various types of changes such as reforms to benefit entitlements (levels and duration), changes to benefit eligibility (access requirements) and alterations to conditions, obligations and sanctions set for benefit claimants and recipients, without being limited to certain types of changes, for instance, to merely cost containment measures. Another important dimension of benefit reform is the scope of reform. The question of scope in our research refers to the degree to which a reform or reforms alter the fundamental character of a benefit programme, that is, the guiding principle or principles. We demonstrated how the literature to date often favours claims of resilience and fails to acknowledge structural reforms. By distinguishing between adjustments and structural reforms, we hope to contribute to a better insight of how social security benefit programmes are reformed. In our understanding, a reform can either leave the fundamental character (or guiding principle or principles) untouched, similar to an adjustment, or it can alter the underlying redistributive principle or principles, as in our view, is the case with the structural reform. We stated the importance of accounting for time, and how a series of changes, even minor adjustments, can eventually lead to a much larger reform of social policy than one might have assumed if only analysing individual reforms. Accounting for time in benefit reform invites scholars also to take part in the path dependence debate, that is, whether welfare states follow specific development paths in how they adapt to new challenges. As a third theoretical concept, we elaborated on the concept of convergence between countries, that is, the assumption that the institutions and the policies of countries are becoming more similar over time.

A closer look at the empirical work undertaken in the field of benefit reform illustrated that few comparative studies were carried out that: used qualitative primary data; covered a long time period; and included more than one country or programme. Academic scholars interested in welfare state change frequently employ quantitative data such as expenditure data or quantified social rights indices. Our analysis of the available methodologies, however, indicated that quantified indicators cannot capture multidimensional developments within welfare states, rather they are limited to examining developments in one particular area (e.g. replacement rates) without allowing us to get a wider picture of the developments within a policy programme. We argue that large quantified/standardised data sets are not designed to reflect the multidirectional and complex changes taking place in the real world, hence they only provide us with a reduced reflection of reality. We believe that the analysis of qualitative institutional architecture data facilitates a more useful understanding of the complexity of national programmes and provides better instruments to capture the trends and trajectories in social security policy. Guided by these theoretical insights, we proposed in Chapter 2 that the most suitable way of viewing the changes in social security rights (and conditions) is to use institutional variables (changes in eligibility and entitlement rules) covering a long time period and several countries and programmes. Now, after analysing a number of national social security programmes in detail over a period from

the 1980s to 2006, we are even more convinced of the complexity of social provision and the necessity to have a long time span and detailed indicators (although we also acknowledge that this approach is not flawless as discussed in Chapter 1) in order to facilitate an adequate assessment of social policy change.

### *Findings from the country chapters*

The three country chapters (3–5) generally addressed the question of what had happened to the social security rights and conditions in the selected countries and programmes. Following the research questions set out in Chapter 2, we examined *how the eligibility and entitlement rights and conditions have been changed and whether we could capture trends within each country selected for our research*. Based on a detailed description of the reforms to eligibility and entitlement rights and conditions, we found that much has happened to the benefit programmes. In the UK in particular, the last 26 years have meant more stringent rules and much lower benefits for people claiming social security benefit. A tighter link between benefit rights and present work behaviour was established and the unemployed, young and long-term unemployed in particular, have encountered stricter conditions for accessing benefit and for remaining on benefits. We also saw that the reforms of the British insurance programme have generated a shift from insurance benefit programmes with a link to past earnings towards programmes of payments close to a minimum protection level. This blurring of social assistance and insurance benefit programmes underlines all British programmes reviewed. In the Netherlands, the years have also brought about a considerable reconstruction of the Dutch social security programmes, but in many ways the insurance provision has been maintained, although the rights have been made less generous and more conditions have been introduced or current ones enhanced. The precondition of claimants' ties to work has in many cases been tightened, and the coverage of programmes has been limited to waged workers. In the Dutch case, most significant alterations were made to the partially disabled, who have faced throughout the years a series of stricter conditions with their access to (full) benefit programmes eliminated. In Finland, programmes went through both a period of expansion as well as cost containment in the last 26 years. Although basic security has been maintained, the young, long-term unemployed and people with minimum benefits in particular faced unfavourable reforms in the 1990s. Reform led to what we call polarisation of rights, where basic security has been eroded, and protection is steered to workers on the one hand and people on minimum protection on the other hand.

The country chapters thus told very different stories. Following the second research question set we asked whether there are common trends in reforming benefit rights across countries and/or programmes.<sup>321</sup> We found that, as indicated in Chapter 6, clear common trends, or leitmotifs, across countries exist (namely, increased work-

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321 In the second research question set we questioned the accuracy of the path dependence thesis, and the results of this will be elaborated in the next section (7.2.).

relatedness, more activation and targeting, and cut in benefit generosity). We have suggested that these leading motives bind policy reforms together into a melody of benefit reform. There are, however, variations in the national pitches (frequency of sound) and volume of these leitmotifs, since in some countries and/or programmes some trends are more accentuated than in others. For instance, we observed in the UK a significant tendency towards increasing targeting according means while reducing benefit generosity, whereas in the Netherlands we see that reasonably generous insurance benefit provision has been preserved, but that the insurance programmes are more strictly targeted for workers, and in particular for key workers with a long and solid work history or of those fully incapacitated for work. In Finland, we see greater targeting of benefit on the one hand towards workers and on the other hand towards people with a real need, but preservation (but weakening) of basic provision. We also demonstrated that these trends were more relevant for some programmes than others. For instance, the trends are most strongly present in the presentation of unemployment insurance programmes, but less accentuated in sickness and disability benefit programmes. However, the presence of clear trends at the level of broad policy goals is in our view a clear sign of convergence taking place in these European countries. Yet, we observe that, rather than welfare states becoming more alike, it is the reform agendas of these countries that have approached each other. Indeed, that we found convergence at the level of broad goals does not mean to say that we found convergence at other levels. Quite the contrary, as also explained in Chapter 6, we saw how these similar goals can be achieved by using very different policy instruments. This confirmed our hypothesis 3 where we expected to find convergence at higher analytical level. We return to this observation shortly in the next section. In all, it becomes apparent from the findings of the country chapters, that delving into programmatic dynamics clearly shows how countries as well as programmes differ. In our case, the saying is true that ‘the devil is in the detail’ and the more detail one examines, the more variation there is to be found. However, we claim that our study has highlighted the need to view benefit reform in as much detail as possible. In our opinion it is the only way to capture the dynamics and trajectories of change. For instance, our analysis clearly indicated a shift over time towards more *de facto* individualisation of social provision, a tendency that we referred as individualisation by consequence in the Chapter 6, where rights and conditions are increasingly based on claimants’ personal situation. Similarly, the empirical evidence for the shift from passive to active social policy through increased responsibilities and conditions in all programmes investigated (confirming our hypothesis 4) here demonstrates how the current social policy analysis should try to view the welfare state changes as widely as possible. If employing merely standardised/quantified variables, these important observations would have remained uncovered.

## 7.2 Revisiting welfare state change: Findings in the light of existing literature

This section discusses the findings of the empirical investigation in terms of what we have learned about benefit reform and links our research to a wider theoretical and

operational framework of welfare state change. Below we discuss the theoretically informed hypotheses set out in Chapter 1 and answer the third and final set of research questions. We address thus the matters concerning welfare state change, namely, what are the European trends; is there change and if yes, what is its direction and scope? And apart from the overall European trends, do the scope and direction of reforms vary between social security models of countries, types of programmes and types of target groups. Finally we address the question what is the meaning of our empirical findings for theorising welfare state change.

### *7.2.1 European trends: Is there change, and what is its direction and scope?*

We started this study by questioning the stability bias of welfare state change. We derived a theory from the literature that welfare states should no longer be seen as ‘unmovable objects’ (Pierson 1998) since an increased number of recent academic publications demonstrate that path-breaking (Hering 2003) or incremental reforms can bring about substantial changes (Streeck and Thelen 2005a). Our empirical analysis extensively discussed in Chapters 3–6 confirms this first hypothesis, that is, *when it comes to reforming welfare state institutions, social security institutions are not frozen and not impossible to change*. Policy analysts are perhaps surprised by the resilient nature of welfare states despite the moulding (economic and political) pressures for change, but they should not think that welfare states are frozen or immobile. Welfare state reform might be difficult, but it does happen. Indeed, in the first lines of this study we claim that welfare state institutions have been in a permanent state of change: they were first expanded after the Second World War, and since the end of 1970s or the early 1980s, it has suggested that they have contracted. In other words, the welfare states are changing continuously. This observation leaves us with two questions; what has been the scope of the changes in social protection programmes in the last 26 years and to which direction have welfare states moved?

What is the scope of reform? Adjustments or structural reforms?

To remind the reader, in our conceptualisation, the question of scope refers to the degree to which a reform or reforms alter the fundamental character of a benefit programme. We distinguished in Chapter 1 between two degrees of scope; namely, between adjustments that leave the principal characteristics (principles of need, insurance and universalism, or some combination thereof) of the benefit programme intact; and structural reforms that alter them. The literature extensively discussed in Chapter 1 suggests that changing welfare states is difficult due to the institutional nature of welfare states and strong policy legacies and, therefore, most reforms to these institutions are considered to be rather minor. However, and despite the predictions of the existing theories concentrating on welfare state resilience, we witnessed in our study a number of structural reforms, that is, reforms that changed the guiding principle or principles in the system of social protection. This was the case in each of

our countries and programmes.<sup>322</sup> In appendices 1–3, the reader can find listings of reforms indicating our interpretation of the scope of reform. Below, we discuss the most important structural reforms found in our data.<sup>323</sup> These are also summarised in Table 7.1.

**Table 7.1.** *The number of reforms changing the rules according to our conceptualisation of scope of benefit reform (as indicated in Appendix 1–3).*

	Total number of reforms	Adjustments	Structural reforms
UK	148	121	27
NL	129	118	11
FI	192	174	18

In the UK, a stream of structural reforms (in total we counted 27) have taken place between 1980 and 2006. The first reforms were implemented already in the early 1980s, when the earnings-related supplements to unemployment benefits were abolished and the benefit programmes were changed from insurance programmes related to past earnings (Bismarckian) to merely flat-rate (Beveridgean) insurance programmes. Additionally, the needs principle was introduced to the insurance benefit programme when occupational pension income was made to reduce the UB rate. The sickness benefit programmes were privatised in 1982 leading to a separate (and more generous) programme for waged workers. Later in the 1980s, the system of indexation of benefit rates was altered so that they no longer had to be upgraded regularly. This altered the benefit programmes (including unemployment and sickness benefits) fundamentally since their benefit rates no longer followed the welfare developments of the rest of the population. This fundamentally destroyed the insurance principle in these programmes. In the turn of the decade, novel activation measures were introduced for the unemployed (Restart 1988, actively seeking work test 1989, Jobseekers Agreement 1995, Jobseekers directions 1995, ND 1997) and they introduced a new stage for increased benefit conditionality within the insurance programmes. Furthermore, supplements were abolished for all benefit recipients (1982, 1995), which removed

322 One should bear in mind that our definition of structural reform does not necessitate significant social impact of the reform, merely a change in the principle ideology underlying the benefit programme.

323 As extensively discussed in Chapter 1, in the present study, structural reforms are suggested to take place when the principle or principles (need, insurance or universalism) embedded in the benefit programmes are altered. For instance, as pointed out before, we regarded a change to be structural if it introduced a needs test into an universal or insurance programme, or, if a change limited the universal access to benefit to an access of people only satisfying a certain contribution record. We also found a structural change occurring if a programme, aiming at income replacement (in the pure Bismarckian manner) or at provision by need (social assistance programme) was changed by implementing a work related obligation, such as an obligation for jobseekers to actively seek or accept work, if this obligation did not exist in the previous benefit rules. In our view, a structural change also occurred if a (needs-based) supplement (e.g., for children) was abolished from insurance programme or when change altered the principle for all claimants (and not only a specific group).

the positive need recognition embedded in the programme. In addition, new and considerably more stringent medical tests were introduced (1994) that fundamentally altered benefit eligibility and the non-contributory (universal) benefit programme was removed which limited sickness provision to those with sufficient national insurance contributions (1999). In the 1990s, the introduction of Jobseekers Allowance removed the eligibility of all people able to work from the general social assistance programme. All these structural reforms led to considerably more conditional and less generous programmes and they fundamentally changed British insurance programmes from earnings-related programmes to a programme providing merely minimum income provision.

In the Netherlands, in total 11 structural reforms were implemented between 1980 and 2006. A series of structural reforms begun by the 1986 revision of the WAO programme, which removed full benefits from the partially disabled, followed by the 1993 reform making disability benefits age-related and introducing a minimum follow up benefit, the latter of which put an end to receiving Bismarckian earnings-related insurance benefits until retirement age. In 1997, the national disability benefit (for people who did not qualify for the workers programme) was withdrawn, making an end to universalism in the Dutch disability benefit programmes. Finally in 2005, the introduction of the WIA considerably altered benefit provision for the partially disabled and represented an integration of disability and unemployment benefit for the disabled. This preference of work for the partially disabled (at least if they wished to receive a benefit above minimum rate) was fundamentally different from the disability benefit conditions for partially disabled in the beginning of this era (1980). In addition, sickness provision was privatised in 1993, which shifted the responsibility to pay sick time compensation from the state to the employers. This reform created a structural reform since it practically abolished public social security provision for sick workers. Structural reforms brought about the introduction of minimum follow up benefits in 1986 which at the time ended the era of insurance benefits related to past earnings for all jobseekers (this was, however, abolished in 2004).<sup>324</sup> In 1998, the activation reform by WIW widened the comprehensive approach for all jobseekers (and not only to the young as was done by JWG 1991) and also led to the beginning of a new active approach for unemployment protection. The introduction of the new means-tested benefit of IOAW in 1986 for elderly people signalled a structural reform in the social assistance benefit programme, as did the introduction of the novel obligation of all claimants to seek and accept work in 2004. The reforms thus weakened the universalism underlying the Dutch programmes and introduced more conditions, but the attacks on the insurance principle remained few in number.

In Finland, we calculated 18 structural reforms in total. At first glimpse this looks numerous, but a closer look at these reforms indicate that a large number can be ac-

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324 Also the temporary introduction of minimum WW in 1994 for the labour market entrants (and those with a short work history) again weakened the Bismarckian insurance programme, but the effect was only temporary since this ruling was abolished a decade later and the link to past earnings was restricted for all claimants.

counted for the fact that many structural reforms have been first enacted and then abolished within our time frame. In the early 1980s the universalism of the national pension was extended by abolishing the means-test under the supplementary part of the pension, but the means test (although only applying to other pension income) was returned to the programme a decade and a half later. Furthermore, the introduction of rehabilitation allowances in the early 1990s into the Sickness benefit (Rehabilitation Allowance in 1991) and national pension (Rehabilitation Subsidy in 1995) programmes marked a structural change in terms of activation of the disabled in Finland, since from then on, claimants with temporary illness or disability were expected to participate in these rehabilitation measures. Simultaneously, sickness benefit was structurally altered to compensate only work income in 1995, which considerably changed the nature of the former 'universal' programme towards a more 'workers' insurance programme'. Furthermore, the sickness benefit programme was temporarily (for a six-year-period) made a means-tested benefit. In 2001, the means-test for sickness benefit was abolished and it became again an insurance provision for most ill. Furthermore, child allowances were re-introduced after they had been abolished in 2000 and this alteration brought back the positive needs recognition to the Finnish programme. With regards to unemployment benefit, we found very few structural changes. This was somewhat surprising given that between 1980 and 2006 most reforms (99 of 193 reforms) were directed towards unemployment benefits. Most reforms were thus simply adjustments, but the introduction of basic unemployment benefit brought a structural change to the programme. Previously, only means-tested and earnings-related benefits had prevailed, but with the introduction of basic unemployment benefit (and the launch of a new means-tested labour market assistance programme) to supplement workers earnings-related unemployment benefit, unemployment provision was considerably revised and the comprehensiveness of the programme was widened.<sup>325</sup> Furthermore, the society guarantee implemented in 2005 has altered the Finnish programme structurally, since it allows the abolition of the unlimited duration of unemployment provision for those who do not participate in measures to improve their employability. We found only one structural reform within the social assistance programme which introduced a new job search obligation for people on social assistance. The reforms in Finland overall mainly increased the need principle and strengthened Bismarckian insurance principles, but also contained certain steps towards universalism. Based on these findings, we can hardly claim inertia of welfare state institutions. Yet, to understand the reform of social security institutions, we also need to elaborate on the direction of changes.

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325 Although the introduction of the basic provision was a step towards more universalistic principle, the basic benefit for the unemployed remains a workers' insurance benefit since it requires a work history and is not in this sense purely universal.

Direction of reform, towards more or less social protection? And what is the direction of change across European countries?

To remind the reader, the direction of benefit reform refers in our framework to the consideration of whether the reforms result in more or less social protection.<sup>326</sup> As literature on welfare state change proposes, even within the same time period (1980–2006) the direction of reform can be very different in different areas of social policy: whereas authors generally claim expansion of social services, interpretations of social security benefit reform are often much gloomier. Again, our focus is merely on developments in the field of social security, and more specifically the benefit structure (eligibility and entitlement rules). Here the empirical work claims that the direction of reforms is towards less social protection and more conditions as formulated in our hypothesis 2. Our findings are somewhat in contrast with this claim, since our empirical analysis (Ch 3–5) illustrates that we can hardly claim that the ‘permanent austerity’ affects all countries or even programmes in the similar way. In appendices 1–3, the reader can find listings of reforms indicating our interpretation of direction. The findings are also summarised in Table 7.2. In the text that follows, we only discuss the main observations.

**Table 7.2.** *The number of reforms changing the rules according to our conceptualisation of direction of benefit reform (as indicated in Appendices 1–3).*

	<b>Total number of reforms</b>	<b>Towards less social protection</b>	<b>Towards more social protection</b>	<b>No effect</b>
UK	148	96	48	5
NL	129	97	30	5
FI	192	89	94	12

Note to Table: in some cases a reform (as illustrated in Appendices 1–3) could change the rules both towards more and less social protection. In these cases we calculated them both to more and less social protection. This explains why the total number of reforms does not correspond with the combined number of reforms.

Our findings contradict the often made claim that the direction of social security reforms has been towards a lower degree of social protection. It is true that the majority of the reforms, particularly in the 1990s, have weakened the degree of social protec-

<sup>326</sup> From an analytical point of view, three different directions of change are possible: towards a lower degree of social protection, towards a greater degree of social protection, and towards a neutral situation where a reform has no effect on the degree of social protection. A lower degree of social protection implies that fewer benefit rights and/or stricter obligations have been implemented. This happens for instance if benefit rates are cut, more stringent access requirements are set, or new obligations (such as to actively seek work) are introduced. A greater degree of social protection implies that greater benefit rights and/or a loosening of attached obligations have taken place. For example, benefit rates can be raised, access conditions are smoothed, or people are exempted from certain requirements or obligations. Reforms can also be implemented that do not change the direction of reform, for instance, if the administration of a benefit programme is changed, this does not always have implications for benefit rights or conditions.



tion, but we also demonstrated clear occasions of improvement of social rights and some limited weakening of the conditionality attached to benefit receipt. There were, however, considerable differences across countries and in time scale. In Finland in particular, we found many examples of improvements in benefit rights. In the 1980s and the first years of the 1990s, benefit levels were significantly raised, means-tests were smoothed, and access to benefits was made easier. During the recession years (roughly between 1993 and 1996) all measures improving rights were frozen, some cuts were made and tighter conditions were set. From 1997 onwards some further improvements (though fewer than in the 1980s) were made. For the Netherlands, the direction of social protection has more generally been towards a lower degree of social protection, although some improvements of rights have been implemented. The reforms implemented in the 1980s were dominated by cuts. From 1990s onwards, we observed that the reforms have predominantly brought about more stringent conditions. The few improvements for benefit rights applying to social assistance programme in the Netherlands were implemented in the present decade (2000s) as well as in the mid 1980s. Yet, the main direction of the reforms in the Netherlands has been towards fewer rights and more conditions. In the case of the UK, we see some improvements to social protection programmes, particularly in the 2000s and predominantly for social assistance benefit programmes, but for the most parts, the reforms have caused British social security benefits to become much less generous and considerably more conditional on personal behaviour. Furthermore, we also found some reforms, which, although important for the national institutional settings, led according to our conceptualisation, to no particular change. In the Netherlands and the UK, sickness benefit programmes for wage workers have been privatised, and in the Netherlands the social security benefit administration institution has been considerably reformed. Very little can be claimed to have happened to benefit rights as a consequence of these changes since the benefit rates often remained the same and therefore we interpret these changes as causing no change to the degree of social protection in existence. On the other hand, one must not forget that such reforms, at least indirectly, lead to more conditions for claimants, who are now more efficiently guided back to work by their employers and/or benefit administration.<sup>327</sup> Furthermore, while Finland appears in Table 7.1 to have implemented considerably more reforms that lead to more social protection can be explained by the fact that, in our listings, the annual increases in the levels of benefit were enacted by separate laws in Finland (and therefore included in the listings), rather than just annual adjustments as they were done in the UK and the Netherlands (that is, increases were regulated through indexation and without a change of law, and therefore these events do not appear in our listings).<sup>328</sup> A closer look at Appendices 1–3, however, shows that there were more

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327 In the UK, the privatisation of the sickness benefit led in the long run to increased benefit rates, when the three rates of SSP were later abolished.

328 Furthermore, the intention of the tables is to give a cautious reference of the developments taking places, rather than enable cross-country comparisons. For this, our data remains yet too inconclusive, since it is not possible to list every single reforms taking place in these countries. Rather for this analysis and for Appendices 1–3 we have listed only the most important reforms implemented in 1980–2006 with respect to the 3 programmes and particularly the reforms changing benefit structure.

reforms leading to more social protection implemented (even if we ignore these annual increases) in Finland than in the other countries, particularly in the 1980s. Even if we are not able to compare the reforms across the countries, our study gives empirical evidence contradicting the claims that benefit reform is the same as cutting benefits and implementing more conditions. This was also the core of our criticism against the leading conceptualisation of change (such as the retrenchment debate) employed in the academic literature.

Nevertheless, and as extensively discussed in Chapter 6, the common trends towards increased work-relatedness, increased activation, more stringent targeting and reduced generosity, lead us to the *general conclusion that direction of benefit reform in the UK, the Netherlands, and Finland has been towards a lower degree of social protection*. Yet, we have demonstrated that the ‘permanent austerity’, that is, a climate where cutbacks and retrenchment dominate, more strongly prevails in some countries (Netherlands, UK) than in the others (Finland). Additionally, we have showed that the decades covered (1980s, 1990s, 2000s) differ. It is particularly during the 1990s that most policy measures were implemented to support the idea of cutting down the costs of welfare, or in Korpi’s words (2003b: 590) ‘the cold star of permanent austerity... guides governments of all political shades to attempt cuts in social expenditure’. In all countries, we saw that in the 2000s there were already signs for some improvements. However, *our empirical findings from Chapter 6 demonstrating the four common trends at the higher analytical level (broad policy goals), and divergence at lower analytical level (instruments taken into use) confirmed our hypothesis 3* on the similar (as well as dissimilar) trends in direction of reform across countries. Yet, as assumed, the analytical level remains important to explain the differences in the results. Also in the basis of the common trends found in our study, we can confirm hypothesis 4 that *there is indeed increased work-relatedness to be found in the eligibility and entitlement criteria and obligations*. We found this true even to an extent that we could claim clear signs of *de facto individualisation* of social security benefit rights and responsibilities in Europe. We have argued that as a consequence of the benefit reforms social rights have been internalised and been related to claimants’ personal status (such as age, past work record, willingness to find work and/or to use their remaining work capacity) to a greater extent than they were yet two decades ago. This individualisation by consequence thus requires claimants, as well as recipients already claiming benefits, to show that as individuals they try to become economically active. Only after this benefit claims can be legitimised.

#### Conclusions of European trends

What do these findings say about the theories on the welfare state? We found change, not only adjustments, but also structural reforms altering the fundamental character of the guiding principle(s) of some institutions, as well as multidimensional change; changes leading towards both more and less social protection and convergence at the higher level (common trends in broad policy goals towards increased work-related-

ness) but also divergence at a lower level of analysis (variation in the instruments put in use). These findings confirm most of the hypothesis (1–4) at the level of European trends. However, hypothesis number 2 claiming that we should find only reforms leading to less social protection and more conditions was rejected. Based on our study, we should be less pessimistic about the direction of change since changes have taken place in Europe that have provided more social protection. Yet, these events remain less systematically implemented and targeted by nature (e.g. higher supplement under social assistance for elderly and families with children), and therefore they do not enable us to claim any real expansion of the provision.

### *7.2.2 Beyond European trends: Do the direction and scope of benefit reform vary between social security models of countries, types of programmes and types of target groups?*

To advance the existing theories of welfare state, we opted in this study to view benefit reform at three countries, but also at the level of three benefit programmes. This kind of constructed view on welfare state change enables us to understand better the nuanced politics of this complex institution, as argued in Chapter 1. Our readings from the existing literature guided us, apart from viewing the overall European trends, to expect differences in scope and direction of reform between social security models of countries, types of programmes and types of target groups.

Differences in benefit reform between social security models of countries

In our hypothesis 5 we suggested that we would find more change in countries representing the basic security, targeted or encompassing models of social security than in countries with strong corporatists or voluntary subsidised social security arrangements. When translated into our research agenda, we should thus expect more reform to the UK and Finnish social provision than in that of the Netherlands.

**Table 7.3.** *The differences in percentages of reforms following our conceptualisation of direction and scope.*

	<b>Total of reforms</b>	<b>More social protection</b>	<b>Less social protection</b>	<b>Structural reforms</b>	<b>Adjustments</b>
UK	148	32	65	18	82
NL	129	25	74	9	91
FI	192	52	46	9	91

Note to Table. In this Table, percentages are separately calculated with respect to scope and direction. Again, due to the fact that reforms changing the direction of benefit reform can lead to changes both to more as well as less social protection, the percentages of these columns does not equal to 100 per cent. Additionally we have here not included the reforms that lead to no effect according to our conceptualisation.

Clearly, as indicated in table 7.3, it has been the UK, where most structural reforms were implemented. For instance, the UK is now the only country in the analysis that no longer has earnings-related sickness and unemployment benefits. Furthermore, the majority of reforms in the UK have been towards less social protection. Perhaps surprisingly, we see that proportionally even a larger number of reforms has been implemented in (the encompassing) Finland than in the (basic-security/targeted) UK, yet, the percentage of structural reforms is almost half that of Finland in comparison to those of the UK. Unpredicted by our hypothesis, our findings from the Dutch case show no inertia. Many reforms have been implemented that have led to less social protection in the Netherlands. Furthermore, there have been almost as many structural changes in the Netherlands as in Finland. Our results thus raise two problems when trying to understand the welfare state development at this level. First, the findings in the Netherlands do not confirm the assumption of institutional inertia of some models inherent in Korpi's claims.<sup>329</sup> In our case we do not find that the Netherlands, displaying corporatist social security provision, would be considerably more robust to change than the other two countries (or at least Finland). The number of structural reforms in the Netherlands is the same as that of Finland and we find that the percentage of the reforms leading towards less social protection is the highest in the Netherlands of all countries viewed here. Even though our research does not aim to explain change, we need to reflect shortly on the possible explanation for this and to respond to the suggestions underlying Korpi's model. As previously stated, the UK and Finnish cases confirm the theoretically informed assumptions that publicly administered welfare states might be perhaps more vulnerable for change. The British Westminster and one-party systems provide politicians with fewer veto-points and this allows them to go through with more structural reforms than the federal or corporatist political systems could do. This was also the case in our analysis: most structural reforms have indeed been enacted in the UK. Perhaps, we can understand, for instance, the abolition of earnings-related supplements from the national insurance programme against the assumption that contributions to national social insurances are perceived less as 'earned rights' in the UK than the earmarked social security contributions in the continental welfare states (see e.g., Kangas 2004: 192). That structural reforms can take place in the social democratic or encompassing welfare states such as Finland was explained by Kangas (2004: 193) by the fact that much of the redistribution is financed through public funds, and therefore political decisions to cut costs are likely to be easier to reform (or at least implement 'minor' adjustments) than those programmes that are financed through earmarked social security contributions. So far, so good. But how to explain the highest number of reforms leading to less social protection and reasonably

329 We do, however, acknowledge that the Netherlands no longer represents the purest model of the state corporatist country, since the role of the social partners has been reduced considerably since 2002. However, the introduction of minimum unemployment insurance in 1986 was a structural reform that took place during the time that the social partners still administered the workers insurances. Furthermore, the Netherlands still suits Korpi's state corporatists model since it embeds a social protection system very much based on status preservation through earnings-related provisions (although one should not ignore the presence of a very strong national insurance schemes, that co-exists with the worker's programmes). In comparison with Finland for instance, the Netherlands has a more insurance based system with generous (workers) benefits. In Finland, a country representing the encompassing type, together with a workers insurance system, a reasonably modest (in benefit levels) universal benefit provision is arranged.

many structural reforms in the state corporatist countries such as the Netherlands. The easiest way would be of course to explain that the 'Dutch enigma' (Esping-Andersen 1999) does not represent the corporatist model. But we do not want to approach the question this way, rather we suggest looking at answers beyond these theories. We suggest that, in view of Dutch case specifically, two reasons might explain the rather large number of structural reforms: 1) unpopular (and hence politically risky) reforms could be implemented due to severe national problems such as the undesired growth in the number of people claiming disability and unemployment benefits and the need to fight against the 'Dutch disease' (Aarts, Burkhauser and de Jong 1996; Visser and Hemerijck 1997), or 2) the special nature of Dutch consensus politics. To begin with the former possibility, after years of ineffective measures to reduce the number of disabled and unemployed people, it was possible for politicians to use radical measures to cure the 'sick man of Europe', as the Netherlands was called at the time. Although these measures were against the public wishes to preserve social security provision, the electorate appear to shy away from real resistance when confronted with raising benefit dependency. For instance, Visser (2005; see also Hemerijck 2005) has extensively written on policy learning, and how through consecutive policy failures, policy-makers may be able to push through structural reforms to solve persisting problems.<sup>330</sup> Another (actor-oriented) explanation for the structural reforms in the Netherlands may be found in the specific nature of Dutch consensus building among the political actors, the so called polder model of the Netherlands (Visser and Hemerijck 1997). The Dutch political economy is furnished with a firmly established apparatus of bi and tripartite boards for nation-wide social and economic policy making.<sup>331</sup> The most famous example of this is the Wassenaar Accord in 1982 that brought together the government and social partners in the fight against the Dutch disease. With trade off to limiting the pain resulting from reform of social security programmes, the social partners agreed to go along with the de-indexation of wages, negotiations over work-time reduction and the partial decentralisation of wage bargaining. This consensus building was later claimed to have underpinned the celebrated Dutch miracle of rapid job growth. Although the inclusion of social partners in the negotiation of matters of state monopoly (such as social security reform) is often seen as hampering the reform of the welfare state (also claimed in Korpi's model), in the Dutch case, the inclusion of social partners in the policy making of 'shadow of hierarchy' (Scharpf 1993) may have done the opposite and enabled the Dutch politicians to reach certain structural changes (see also Hemerijck and Marx 2006's comparison of welfare reform in the Netherlands

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330 Stiller (2007) for instance in her recent study has demonstrated that certain 'ideational leaders' in Germany have been able to implement structural reforms against all odds in the frozen welfare state such as Germany. Furthermore, a valuable insight for understanding welfare state change is also given by Heidenreich and Bischoff (2006) who show, that at least in the case of Europeanisation of German national policies, politicians can learn 'by irritation' and by being continuously confronted with suggestions and guidelines from Brussels they have eventually implemented major reforms and changed German unemployment policy from a passive income-replacing system to a more active and curative social policy for the unemployed.

331 For instance, the foundation of Labour (STAR, Stichting van de Arbeid) consists of the central union and employers organisation and it provides a meeting place to discuss wage policies. The Social-Economic Council (Sociaal-Economische Raad, SER) is a tripartite (entrepreneurs, employers and independent experts) organisation that aims at creating social consensus on national and international socio-economic issues.

and Belgium confirming this claim; Visser and Hemerijck 1997). Wiekenkamp (2007) for instance demonstrated that the recent success of Dutch policymakers in changing the ‘immovable’ objects of early retirement programmes has been closely related to the government’s success in including the social partners in negotiations. Perhaps, we should not seek explanations arising from the stickiness of institutions or policy legacies. Instead, as in this case of welfare state change in a country with rather rigid institutional structures, we might learn more if we were to look explanations for the occurrence of numerous adjustments towards less social protection and/or structural reforms taking place from the literature concerning the role of political agency and/or the ways which it can be linked to ideational accounts of welfare state change (for this, see also Stiller 2007). Indeed, since macro- and meso-level explanatory factors seem to be more appropriate to explain stability than structural reforms, perhaps we should look for answers at the micro-level of analysis (see also Stiller 2007).

Our second, and perhaps more fundamental problem with approaching the question of benefit reform through reviewing the particular social security models of countries is related to the difficulty of viewing change at the level of a particular country. We addressed this problem already several times in Chapter 1, 2 and 6 pointing out that ideal types of countries are inadequate to consider nuanced policy-making and the complexity of social security benefit institutions. As the reader must have already noticed from the discussion above, there were important differences within countries in the direction and scope of reforms that must be taken into account when discussing welfare state change. By presenting the selected benefit programmes based on their institutional characteristics (distinguishing between the differences in benefit type, administration, financing and arena of action as we did in Tables 2.1 and 2.3 in Chapter 2), one sees how differently social protection can be organised within a country. Therefore, to draw any conclusions on benefit reform we need to take a closer look at developments within countries. This is our intention in the next section.

#### Differences in benefit reform between types of programmes

Now, we are stepping down one step at the analytical ladder and viewing benefit reform at the level of benefit programmes (as suggested also by Bonoli 2005; Clasen and Siegel 2005; Clasen and Clegg 2007; Kühner 2007). In Chapter 1, we hypothesised that some programmes might be more susceptible to change than others. Based on the assumptions that social policy programmes are political artefacts, Kangas argued (based on Korpi’s work and worked out in hypothesis 5) that publicly administered models, where the arena for action is open to politics and where benefits are financed through public means, can be easier to change than corporatist, segmented programmes. When applied to our study this would mean that we should expect more changes in social assistance benefits than in workers’ insurance. Again, to summarise our findings in Appendices 1–3 we have created Table 7.4 and Table 7.5 (see p. 276) to illustrate the most important differences in the direction and scope of benefit reform in these countries.

When it comes to changes with respect to the direction of reform, we can see from Table 7.4 that assumptions from *hypothesis 5 that social assistance programmes should be more vulnerable to change are inaccurate*. In all countries, there have been few reforms to social assistance involving less social protection, in fact we see that reforms to social assistance programmes have instead often increased the degree of social protection (with the exception of the Netherlands).

**Table 7.4.** *The percentages of reforms to more and less social protection as measured from the total number of reforms changing the direction of reform.*

	UK		NL		FI	
	More	Less	More	Less	More	Less
UB	8	29	13	34	28	23
DIS	7	24	6	27	14	18
SOCAS	18	15	5	16	9	8
Total	100 (= 144)		100 (= 126)		100 (= 182)	

Note to Table: Due to the rounding factors the added amount of the percentages in a country does not always equal 100 in total. We did not include reforms that had no effect on direction in our calculation of the total number of reforms in a country.

**Table 7.5.** *The percentages of structural reforms in a programme measured from the total number of structural reforms in a country.*

	UK	NL	FI
UB	33 (9)	27 (3)	22 (4)
DIS	44 (12)	45 (5)	67 (12)
SOCASS	22 (6)	27 (3)	11 (2)
Total	100 (= 27)	100 (= 11)	100 (= 18)

Note to Table: Again, due to the rounding factors the added amount of the percentages in a country does not always equal 100 in total. The number of structural reforms mentioned in the brackets.

In hypothesis 5 we also predicted that means-tested assistance would be the most likely suspect for more fundamental change. When viewing our findings with regard to structural reforms within countries, we see in Table 7.5 that there are *more structural reforms to unemployment and sickness and disability programmes than to social assistance programmes*. These findings falsify the claims made in hypothesis 5. However, a more detailed analysis of our data revealed that most reforms have been implemented to publicly administered insurance benefits, rather than to workers' earnings-related insurance programmes. For instance, the earnings-related unemployment benefit and sickness benefit programmes in Finland, and the disability benefit programme for fully disabled people in the Netherlands have gone through very little changes. In

this sense, the literature pointing out that the programmes that are paid by workers' contributions and governed by social partners (or they are at least taking part in the social policy making) are more resistant to change might after all be accurate: with the exception of the UK case, the findings clearly indicated that earnings-related benefits are usually the least changed type of benefit.<sup>332</sup> The Dutch case was again somewhat problematic, since the worker's disability benefit programme for the partially disabled has been subject to numerous reforms. We return to our findings regarding sickness and disability programmes shortly. That we find fewer structural reforms to assistance benefits is, however, less surprising. If one considers that assistance benefits are benefits of last resort which should be relied on only when all other measures do not work, one would hardly expect these minimum provisions to be subject of many adjustments (leading towards much less social protection), or to structural changes. Clearly, in this case there is not much scope for reduction. In times of economic hardship, when the government seeks savings, normally the blame-avoiding politicians can only turn to the well where water can be found. Cutting earnings-related benefits, which are safeguarded by increased returns and strong veto-players such as the trade unions, is a much less appealing alternative in theory. Therefore, cuts in insurance benefits which are publicly administered, and preferably publicly funded, offer a more attractive and perhaps less politically turbulent restructuring option.

Furthermore, we hypothesised in Chapter 1 that we might find more reforms to the rights of unpopular groups such as the unemployed (insurance and assistance claimants) than those of more popular groups such as disabled (hypothesis 6). As discussed above, our findings *cannot confirm* this claim. First, we have showed how fewer reforms (and some of those have even generated more social protection) have been applied to assistance benefits. Yet, a closer look at assistance programmes indicates that most of the cuts, and even more importantly most reforms tightening the responsibilities related to benefit receipt, are indeed directed to the unemployed receiving assistance benefits as our hypothesis 6 predicted. People who are considered unable to work (pensioners, people with care responsibilities or those otherwise unable to work) and receiving social assistance have, in all countries, faced fewer reductions in their rights and fewer obligations. Second, we found only partial evidence that the sick would face less reform than the unemployed as hypothesis 6 predicted. From Table 7.5 above we can see how most structural reforms have been directed to sickness and disability programmes. Also derived from Table 7.4, we can see that the direction of reform of sickness and disability programmes has been parallel to the developments in unemployment provision: most reforms implemented to programmes for the sick and disabled have led to less social protection. Again, we must go beyond the programme level in order to understand these findings. When speaking of changes in the social protection of the sick and disabled the data clearly shows that we must make a distinction between the short-term sick and partially disabled *and* the long-term sick and fully disabled. Whereas protection for the latter groups has been preserved, and sometimes even improved (e.g. WIA in the Netherlands), changes to the benefit

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332 In the UK, the earnings-related programme has been replaced by a flat-rate insurance programme for the workers.



rights of the sick and partially disabled have largely followed the patterns of changes to benefits for the unemployed: as long as the claimants are perceived as being able to work, they are guided back to the labour market with compulsory measures, sanctions and obligations. Furthermore, the large number of structural reforms in sickness and disability programmes can also be explained by the kinds of changes made in the recent years. For instance, in the UK and the Netherlands, sickness benefit programmes have been privatised and the responsibility to pay sick time compensation was transferred to employers. In our conceptualisation this leads to structural reforms even though the impact or outcome of reform might be minor (for instance, no direct changes have been implemented to benefit access and entitlement rules). Furthermore, in Finland several structural reforms were implemented during the last 26 years in the area of sickness and disability benefits, some of which were reversed after a certain period of time (the example of the introduction of means tested sickness benefit and its abolition a decade later). In our conceptualisation of single reforms, such events leave a mark, which can lead to an overestimation of the number of actual structural changes that have taken place in the country. Therefore, in order to understand welfare state change, we need to look at benefit reforms over time. This will be done in section 7.2.3.

Looking at the scope and direction of reform (as indicated in Tables 7.4 and 7.5) is not enough to understand how the programmes have really been changed. As discussed in Chapter 6, we see that the reforms during the 26 years have considerably changed the nature of social security protection. In the case of unemployment protection, we found a shift towards more activation. Therefore, most of the structural changes to this group relate to these new obligations. In the Netherlands, in particular, most of the reforms leading to less social protection and more conditions were indeed changes that led to increased work-relatedness and more activation. Even though we claimed above that the direction of reform of sickness and disability benefits was largely parallel to unemployment benefit programmes (access to the benefits has been made more difficult and the level and duration have been reduced as discussed in Chapter 6), we observed that the reforms of programmes for the fully disabled include less compulsory activation. The activation of the fully disabled mainly aims at helping their rehabilitation. However, as noticed above, the group of partially disabled is an exception. In all, the findings show that hypothesis 6 should be more differentiated. It is true that the unemployed have faced more severe reforms than the fully disabled, but it is not that that one target group (ill and work incapacitated persons) is better protected than some other (unemployed). Rather we must distinguish between groups or even individuals within a group: among the disabled, the partially disabled have faced more stringent reforms over time. This observation is most prominent in the Netherlands, but also to some extent in the UK and Finland.<sup>333</sup> These observations lead us to step yet one step lower at the ladder of abstraction. As hypothesised in Chapter 1, the literature guides us not to expect that everybody is affected by reforms

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333 Unlike the Netherlands, the programmes in the UK and Finland do not cover the partially disabled. We see however that during the sickness benefit period people able to work are increasingly guided back to work in all three countries.

in similar way, or at least to the same extent. In the next section we try to capture this again from our empirical work.

#### Differences in benefit reform between types of target groups

Based on the literature on deservingness perceptions outlined in Chapter 1, we propose in our final hypothesis 7, that we could expect difference of scope and direction of change with regard to different types of target groups of benefit programmes. We predicted that the rights of some groups or even some individuals might be more resistant to change than those of others. In particular we expected more reforms to the rights of the young rather than those of the old. As expected, we found a rather strong variation of the scope and direction of reforms concerning different target groups among the claimants. Indeed, benefit reform does not affect everybody in a similar way.

Our findings in unemployment benefit protection show that essentially every unemployed person has faced less generous rights and more conditions during the last decades (consequently leading towards a stronger targeted individualisation of rights and responsibilities). Yet, we see also that some groups have been subject to more reforms of their benefit rights than others (see also van Gerven Forthcoming in 2008 for an analysis of the winners and losers of the unemployment insurance restructuring in Europe): most reforms were implemented to the young, long-term unemployed, and partially disabled. Waged workers are still relatively well protected today, perhaps due to their strong political interest groups and general support among the electorate. Yet even for them, the duration of benefit has been shortened, and a greater number of activation measures has been directed towards people on benefit. Many of the changes clearly aimed at facilitating a faster (re)entry of the unemployed to work. Among the unemployed, it is particularly the young, long-term unemployed, and partially disabled persons who faced the strongest compulsion to re-enter the labour market through measures that hamper their access to programmes, reduce their benefit entitlements or set more obligations (or sanctions) with regard to returning to work. Although our findings substantiate hypothesis 7 claiming that there are more reforms directed towards the young, we must note that many older claimants also have faced a substantial number of reforms. For instance, older workers can no longer retire early using the unemployment pathway. Furthermore, our findings from sickness and disability benefit reforms indicate, that, as argued above, it is essentially the partially disabled who have faced more reform, now that they are in many cases included as 'unemployed'. Among the sick and disabled, we nevertheless did not find the tendency of less social protection for the young, as was the case in unemployment and social assistance data. The data shows that the sick and disabled persons remained reasonably well protected even in the era of permanent austerity (we return to this observation shortly). This observation went against the expectations based on the literature on deservingness of ill and work incapacitated. Finally, our findings from social assistance programmes show, that although we expected fewer reforms for the

rights of the old, we found many reforms for the old in the UK and the Netherlands. However, the direction of these reforms has been mainly towards the provision of more social protection rather than giving less social protection as generally expected in the literature. As Table 7.4 showed, the direction of change for social assistance programme was in general rather positive, towards more social protection, or at least not radically towards less protection, but a closer look at the reforms indicates how the old and families with children often became entitled for additional supplements (pension credits in the UK, IOAW in the Netherlands, child allowances in Finland) or they were exempted from certain conditions. In Finland, we saw few reforms for the old, but this is most likely due to the structure of the Finnish programme, where the welfare for older people is provided through the national pension system rather than the social assistance programme. In accordance with our expectation derived from the literature, we witnessed many stringent reforms for the young in all three countries. Yet again there were differences across programmes, since this finding applied to the young under unemployment protection, but not for the young claiming disability benefits. In the case of social assistance reform, we see also that case by case review has here become particularly important (again pointing towards the individualisation by consequence), since the discretion of benefit administrators has been particularly strengthened.

To explain these observations, we claim that the literature on deservingness and that of popular support can provide us with some possible explanations for benefit reform. We found more reform for the young and people with a short-work record which could be explained by the fact that these claimants are not considered to have earned a right to insurance benefit yet, with regard to their age and/or their limited work record. Therefore reforms to their rights might be more easily justified by policy makers, who according to Pierson (1994) intend to avoid blame in order to get re-elected. We can assume that the reason why the young and fully disabled are still rather well protected under disability provision has to do with the public perception that these groups are not (or at least less) in control of their dependency. And as argued earlier, the issue of who is considered as deserving is strongly related to whether the government can fundamentally alter the rules for this group. Some of the findings of present research are, however, to some degree in conflict with the deservingness thesis, since we showed that, regardless of the strong popular support for protection for older persons put forward in the deservingness literature, this group of unemployed has faced increasing cuts to their benefit rights and tighter conditions since the 1990s. This might be explained by the focus of the research, namely the concentration on the benefits for working age population. The unemployed as a group are commonly seen as one of the most undeserving groups, and therefore an easier target for radical cuts. Furthermore, the fact that older persons' rights have been reduced might be explained by the fact that in many cases the abolition of their rights under unemployment insurance programmes has been compensated under another programme, such as pension and early retirement programmes. The particular cuts to unemployment insurance have perhaps only confirmed the nature of unemployment provision as a compensation for people in between jobs.

Differences in benefit reform between countries, programmes and target groups: Some conclusions

Although useful in guiding our research agenda to take account of the in-country variation, the current theories and empirical work have still problems explaining our findings. For instance, the current theories on welfare state often fail to consider the variation within the models, programmes, or sometimes even within target groups. Furthermore, there remains a considerable stability-bias in contemporary welfare state research: they explain first and foremost why the welfare states are resilient or why the majority of reforms tend to be mere adjustments at the margins. They do not provide us with explanations regarding how or why welfare states change, even though more empirical evidence, ours included, points in that direction. Unfortunately we can not offer any evidence-based explanations either. This was not the intention of this research. Rather we aimed at analysing and comparing benefit reform in three European countries, three programmes and over 26 years.

### *7.2.3 The meaning of our findings: Changing social security programmes over time*

In this last section, we want to take part in the discussion on welfare state change, and as a conclusion of our analysis we want to discuss our findings regarding benefit reform over time. This will be our modest contribution to this debate. We address the puzzle we tried to disentangle throughout this research: what has happened to welfare states and what do our findings tell about welfare state change theories. For us these questions are framed in the issue of scope and direction of benefit reform *over time*. However, to solve this puzzle is no simple exercise for two reasons. First, comparing change over time is difficult since the countries have very different starting-points. Since the late 1970s the UK has prioritised the need principle when delivering basic minimum cash transfers for the working age population. In the 1980s, the Netherlands had a strong base of workers insurance programmes. At the same time, Finland aimed at basic redistribution based on citizenship complemented by workers insurance programmes. Due to these rather different starting-points, we will address the developments in the countries from each of their own starting point.

Second, as noted in the previous section, to understand the reform over time, we need to examine how the series of changes have affected the scope and direction of social security provision in the three countries. Viewing merely individual reforms (minor adjustments or structural) is not enough. We see that this puzzle (change over time) also refers to the matter of path-dependence discussed in Chapter 1, but derived from our findings we, unlike the mainstream academics, do not see path dependence as a synonym for inertia or something that should only explain the continuity of institutions or resilience of welfare state. Rather, echoing the ideas proposed by Ebbinghaus (2005) and Streeck and Thelen (2005a), we see that path dependence should be understood as containing both a certain degree of continuity of fundamental ideas *as well as* change. Next we elaborate how this, path-dependent but not predetermined

change took place in the Netherlands, the UK and Finland. After this discussion, we present our final conclusions.

### The UK

Although we can clearly denote a shift from insurance benefits towards a blurring of insurance and assistance in the UK, we claim that, despite the many structural changes discussed in the previous sections, surprisingly little has happened to the British Beveridgean blue print. We see that the prevailing preference for minimum protection, existing already in Beveridge's plans, has been strengthened by the changes in 1980–2006. What can be confusing in the British case is that structural reforms indeed have taken place during the last two and half decades, but at the same time, in our view, these have simply turned the clock back. We should keep in mind that it was only in the mid 1960s, that steps towards a more Bismarckian insurance provision (providing benefits related to past earnings) were taken, and therefore the reforms in the last 26 years have withdrawn these elements (earnings-related supplements, longer duration etc.) and consequently shifted the provision back to Beveridge's original intentions. This is what Streeck and Thelen (2005b: 21–22) call institutional displacement. The authors see this occurring through the rediscovery or activation of previously suppressed or suspended possibilities. We have showed that through changes in social protection rights the British social protection programmes have rediscovered 'the Beveridgean' idea of minimum provision. The original instruments, social insurance programmes, remain, and the logic of earnings-relatedness introduced in the mid 1960s has been abandoned. This applies to both the insurance benefits we analysed (i.e. the unemployment and disability benefits based on national insurance contributions). Some individual changes have strengthened the insurance principle under national insurance benefits (such as targeting the disability benefit for waged workers only after the abolition of non-contributory programmes and tightening the contribution requirements under insurance programmes). Additionally, a separate privatised programme has been introduced for sick workers, but we noticed that the emphasis in British social provision is to provide minimum security and to encourage people to (re)enter the labour market. Although often claimed in the literature, we found in our sample of programmes no evidence for the radical increase of means-testing. Yet, we found evidence for the enhanced needs principle through *creeping cumulative* legislative changes (introduction of the means-test of personal pension income and the cut in duration of insurance benefit for instance) and other changes (such as developments around in-work (tax) benefits, more discretion in granting social assistance). We also found increased (positive) needs recognition in the UK for special categories, such as older workers and families with children, in the minimum provision. These developments have also brought the British programmes closer to provision aiming at securing a minimum income, rather than replacing the loss of work income. It is indeed a system that redistributes only with regards to need and only at the level of minimum provision. In addition to reforms that bring back the Beveridgean minimum provision, we did find evidence for increased conditionality,

which in the British case is a rather recent tendency, at least in the levels of conditionality that are manifested today. This kind of ‘conditional activation element’ is something we can find back in Streeck and Thelen’s (2005b: 18–20) conceptualisation for layering, where new elements are attached to existing institutions that may gradually change their status and structure. The addition of new layers to existing social protection such as elements of activating social policy, clearly visible in the UK but also other EU countries, is thus something that can, over time, generate a fundamental paradigm change. Yet, at this point of time, all we can do is to speculate, since social science is still not able to predict the future.

### The Netherlands

Reforms in the Netherlands manifested the preservation of the insurance principle, but also a cautious shift from (Beveridgean) national insurance to Bismarckian insurances.<sup>334</sup> However, the Netherlands is an interesting case when looking at benefit reform. When looking at the changes to unemployment benefits, the Netherlands stands out as a country of incremental adjustments towards less social protection.<sup>335</sup> However, when viewing reforms to the Dutch disability benefit programme(s), we witness a series of structural reforms, although often going in the same direction (less social protection). It is thus still appropriate to speak of the Netherlands as a hybrid or enigma (Esping-Andersen 1999). As already indicated, universalism has weakened among our selection of programmes through reforms such as the abolition of national disability and unemployment programmes. The insurance principle has on the other hand been fortified, in particular for workers’ programmes. Dutch incremental reforms to unemployment benefits have included stricter limitations of the coverage (to include only waged workers); the increasing importance of relevant work history; and the linkage of benefit duration to work history, all of which have considerably strengthened the insurance principle. At the same time, however, the changes have decreased the size of the group of people eligible for an insurance benefit. On the contrary, many structural reforms have been implemented to the disability benefit programme. Rights for the fully disabled were reduced in the 1990s, but since 2004 these have been improved again with some adjustments. Yet, for the partially disabled, as discussed earlier, the reforms have meant a considerably less generous and much more conditional provision. The changes under the WIA for the partially disabled are perhaps something that could be placed under the concept of conversion by Streeck and Thelen (2005b: 26–29), where old institutions are re-employed to new purposes. Rather than aiming at earnings-replacement for the partially disabled as under the former WAO benefit, the new WGA benefit under WIA aims more at encouraging

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334 This result is however valid only for the programme investigated here, and we must note that there are still strong elements of national insurances available in the Netherlands (such as national old age pension, widowers’ pensions etc.).

335 Although, there have been few structural reforms that have been later withdrawn as discussed in the previous section.

people to work and could therefore be seen more as an 'in-work-benefit' rather than an insurance benefit in the traditional sense. Generally speaking, however, although being less comprehensive, the insurance principle has been preserved in Dutch social security programmes. Some new means-tested benefits were introduced (e.g. IOAW for partially disabled older unemployed), but we claim that such reforms brought about a differentiation of the means-tested provision into specific programme and targeted more generous benefits (than the general social assistance programme) to a needy group of (older) people rather than considerably widening the importance of means-testing within the Dutch programmes. There also were signs of increased (positive) needs recognition in the Netherlands, through these above-mentioned new programmes as well as through increased discretion in social assistance provision.<sup>336</sup>

### Finland

Reforms in Finland have shifted social security provision a step away from the universal basic provision, and we claim that claimants have been brought closer to either the earnings-related insurance programmes, or to a lesser extent, towards means-tested provision. Universalism was improved until the early 1990s, but it has thereafter been weakened by reforms making rules for citizenship-based rights (for instance in national pension, sickness benefit etc.) give way to employment-based workers programmes. This has increased the Bismarckian insurance principle in Finnish social security provision. However, it is important to keep in mind, that earnings-related workers insurance programmes are still quite easily available for people with less close ties to the labour market (also sometimes for people with a short work record and low annual earning). This makes the Finnish programme still somewhat more comprehensive (universal) in comparison with the Dutch and British insurance programmes. In addition, we observed an increase in means-testing (and the needs principle) in redistributing welfare in Finland, particularly to jobseekers, and as discussed above, to disabled pensioners. But such means-tested arrangements have not (yet) taken over basic social security provision, rather they complement existing earnings-related and basic benefit programmes. Indeed, although a large number of reforms (as discussed earlier, we listed the highest number of reforms in Finland) have been implemented in Finland, most of the changes have been adjustments. We found some structural reforms in the 1990s, which were later abolished in the 2000s to compensate for the tough measures implemented in the 1990s recession period. For instance, for a decade a Finnish (minimum) sickness benefit was changed into a means-tested programme, but after the recession, government returned to the 'basic' provision. We have thus on the one hand changes implementing new layers to (or at least strengthening the former latent ones of) the Finnish welfare provision system (means-tested and workers insurance programmes), but on the other hand, up to now the principle of universalism (or at least preference for basic provision for all) has not been abandoned. Streeck and

336 As discussed earlier in Chapter 2, increased discretion can also be unfavourable for the claimants if they fail to convince the benefit administrator of their need, or if municipalities' budget for these 'extras' are running empty.

Thelen's conceptualisation does not provide an example of this kind of institutional change. We propose calling this phenomenon a *hybridisation of institutions*, where new (or latent) elements are strengthened, but they do not replace but complement the existing institutions. We can see from the Finnish example that, even though attempts have been made to change the status and the structure of the benefit programmes, the logic of universalism has not withered away. Rather the logic of universalism remains to exist, but now it is complemented with other (new or latent) elements. We do find, however, an example of Streeck and Thelen's (Streeck and Thelen 2005b: 24–26) concept of drift in the Finnish case. The concept of drift suggests that change takes place through (strategic) neglect of adaptation to changing circumstances. For example, due to frozen indexation and/or poor indexation mechanisms in all three countries, there has been a considerable reduction of benefit levels particularly for people with minimum benefits as opposed to benefit recipients of earnings-related benefit programmes. This is a fitting example of how small adjustments or even non-changes can lead to considerable change in the long run.

Conclusions: The broad tracks of path dependent benefit reform

The picture that arises from our findings is that of path dependent change. Countries seem to follow rather obediently their chosen redistribution principles and legacies. The UK programmes have been returned to providing *a minimum provision for those in need*, Dutch programmes protect *workers against loss of income* (although a much smaller group of workers can enter the programme than before), and the Finnish system, although less universal than in the 1980s, still provides *a wider basic security* for Finnish residents, but today emphasises more protection of workers (earnings-related) and means-tested minimum benefit programmes. These (targeted minimum provision, workers insurance, and basic provision) are the three dominant path-dependent structures rising from our data and they are more or less following the Korpi's models addressed in Chapter 1.<sup>337</sup> But it becomes evident that path-dependence does not mean frozenness or resistance to change. Quite on the contrary, reforms to benefit programmes, although following a certain principle, can change considerably the characteristics of the programme and in our cases reforms generally have led towards less social protection. For instance, the Dutch case showed how the incremental reforms to unemployment insurance have gradually reduced the numbers eligible (mainly workers with a long and solid work history), benefit duration has been considerably shortened, and more obligations and sanctions are bound to benefit receipt. Although being a workers insurance programme, the current Dutch WW is directed to cover workers only and it has become a much more conditional and less generous programme than in the early 1980s. A series of incremental changes can thus lead to a very different (although not structurally different) programme over

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337 Yet, again countries, but also programmes can embed programmes containing more than one characteristics (such as unemployment provision can include both workers' and national insurances as well as means-tested assistances), and therefore, we will not try to create own typology.



a long period of time. Furthermore, that we claim path dependence does not mean that new elements cannot evolve; that old structures have a new meaning; or that additional, complementary elements are stabilising next to the traditional, path-dependent institution. Social policy, after all, is dealing with societal problems, current or forthcoming, and in the 'era of permanent change' many kinds of decision can be taken. We saw, for instance, how a single reform can embed both elements that are leading to more and less social protection, e.g. lowering the age limit for occupational pension but raising its threshold to include more people, as done in the UK. Therefore it is important to go beyond retrenchment and stability. It becomes clear from our analysis how important it is to have a long enough time period to understand benefit reform and welfare state change. Viewing reforms over one decade is for instance not enough. We saw in the British case how Beveridgean policies were expanded during the Labour government in the 1960s towards a more Bismarckian programme but how the changes in the last two decades have turned the clock back in time to the preference for minimum protection originated in the Beveridge's plans. Similarly, viewing simply the changes in the 1990s in Finland (for instance the introduction of means-tested minimum sickness benefit) could lead to an inaccurate interpretation of the change. As we know now, this particular reform was withdrawn later and a return to universalism took place (although the new universal sickness benefit was less generous than its predecessor). What we also learned from our analysis is that sometimes it is even more important to see what has not been done, rather than what has been done when trying to understand benefit reform. Examples of suspensions of indexation illustrated this. Path dependent change is thus not predetermined change, rather new elements can evolve. We must also note that new elements or layers can eventually lead to a new paradigm. This is, however, something that we can not confirm at this moment. It remains very difficult to predict the future, which is not surprising as we are struggling already when we have to explain what happened in the past. But following our empirically-based arguments on path dependence we would like to cautiously predict that the fundamental character of social security programmes will not transform to something totally new or different. Rather we would claim that the path dependence of these institutions leads at least to the preservation of some guiding principles and legacies.

### 7.3 Discussion and further prospects

Throughout this book we have presented our contribution to the important debate of what has happened to the European welfare states since the 1980s. This chapter has reiterated the theoretical and empirical contributions of this dissertation. Based on in-depth qualitative data we have demonstrated how welfare states are changing. The theories on welfare state change so far can explain some of our findings, but they seem to fail to capture the variations within countries and to explain why change, sometimes changing even the fundamental character of the programmes, takes place. We cannot advance theories on welfare states with respect to the explanations for change, but at least we have made an attempt to account for the differences within countries. Our

findings on the differences between programmes and target groups can advance the theoretical debate on the welfare state, but they also show the complexity of social security institutions and change. Yet, small steps were taken to revisit benefit reform. We found that the concepts adopted in this research (for the direction and scope) were helpful and enabled us to capture the multidirectional developments within welfare states. We now suggest that the direction of change is towards a lower degree of social protection without ignoring the occasions of improvements in social protection degree. With regard to the scope of reforms, it becomes clear from our analysis that further work on welfare state change must be able to account for structural change in its conceptualisation, since such change evidently takes place in Europe. Our analytical level of benefit programmes enabled us to distinguish the differences in change within countries. We saw how most of the reforms towards less social protection were directed to the unemployed and partially disabled. Most structural reforms were implemented to sickness and disability programmes. We also made a first attempt to capture the nuanced politics of the welfare state at the level of different target groups of claimants. Here the most significant observation was that it is mainly the young who have lost most in the reform of benefit rights. Furthermore, our research demonstrated how a long time frame was essential in order to capture the developments (including adjustments as well as structural reforms) over time. The findings of the study also contribute to more empirical evidence of convergence among the European welfare states, by showing how, in all countries investigated here, access to benefit has been restricted and made more work-related, generosity of benefit reduced, and more obligations and sanctions have been attached to benefit receipt.

When viewed against the theoretical discussion and existing literature on welfare state change, we can draw three main conclusions. First, current theories and empirical work seem to explain rather satisfactorily why some groups or programmes are less vulnerable to change. But simply expecting that political hindrances (such as veto points and the blame avoiding nature of politicians) somehow prevents change taking place is in our view a naïve way of approaching welfare state change. Rather, as argued above, we should go beyond the stability bias and try to explain change. The second theoretical implication of our analysis is that researchers should be more specific regarding the analytical level adopted when explaining change (see also Jochem 2007).<sup>338</sup> In Chapter 6 we already pointed out that one could find convergence at one level (broad goals of reforms), and divergence at another level (the instruments put into use to reach these goals). Similar observations also arose in our discussion of different research approaches in Chapter 2: whereas macro-level data (expenditure data) show limited changes, more detailed indicators (social rights indices and institutional architecture measures) illustrate more intensive and also more complex changes. Differences in the analytical level can thus be important in explaining why scholars sometimes

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338 This was captured also by Jochem (2007) who claims that the usage and usefulness of the path dependence concept depends on the perspective we take. He shows in his study on the recent developments in pensions in Denmark, Germany the Netherlands, and Sweden, that the holistic perspective can provide evidence for dynamic continuity and the robustness of crucial differences between several countries, while a more detailed perspective, taking programmatic dynamics also into account, can provide for path departures.

come to different interpretations of the direction and scope of welfare state change. The complexity and multidimensionality of welfare states make it hard to use wide concepts such as convergence, or path dependence. When viewing in detail, there always seems to be an exception to the rule (or an exception to an exception) or more at work than one would expect (at least if basing expectations on macro-level indicators). However, finding simultaneous convergence and divergence or path dependence and change should not be seen as an insurmountable problem. Rather, as social scientists, we should be careful of our analytical level, and we should develop our concepts to allow multidimensional and sometimes conflicting developments. Our last, third, observation is also methodologically driven. It is of the utmost important to include a long-time span to be able to understand developments in welfare state institutions. Our example in the UK illustrated that even 26 years was not long enough to grasp the direction and scope of the change in this country. Viewing only single reforms or only a few years can lead to overestimation of the importance of the changes.

After having highlighted the achievements of the present research, we must, however, note that our study has been only a small step towards revisiting welfare state change. Due to the labour intensive methodology chosen to reach the details of benefit reform, our results apply only to three countries and three programmes. To understand the changes in the realm of welfare state institutions, a much greater number of programmes should be reviewed (e.g. other cash transfers such as pensions, child allowance, but also social services, tax provisions), and more countries included. Furthermore, this research has been an analysis of the reality of social security programmes (changes in legislation), not that of reality of social policy reforms and their impact. This means that our conceptualisation and research findings were geared to answer our research goals, that is, describing and comparing what has happened to the social security benefit rights and conditions. What is missing in our research are the outcomes of benefit reform, and we admit that finding out the impact of welfare reform is important. However, finding accurate cross-national outcome data for three countries, three benefit programmes and 26 years is a well-known problem for contemporary international social policy analysis. We also see a pronounced problem with outcome studies as the outcomes of benefit reforms are inevitably related to the societal context where they exist (economic context, demographic factors etc.). Even though similar reforms have been implemented in the UK and Netherlands (more stringent access and shorter duration of insurance benefit), this has not led to a considerable increase of means-tested provision in the Netherlands to the same extent that it has in the UK (as demonstrated in the national data on the development of the numbers of means-tested benefit recipients, for NL see UWV 2006; for the UK see Clasen 2005). The explanatory factor might thus be the economic and labour market situation in a country. In the Dutch case, claims (Visser and Hemerijck 1997) have been made that flourishing economic development in the end of 1990s has protected the labour force. In the UK, this has not been the case. Better data is necessary in order to grasp these effects, as it must be a precondition that the societal context is included in the analysis. We also hope that our findings inspire researchers to be extra cautious when

using existing (macro-level) data sets now that we know more about the variation of benefit reform across as well as within countries.

For better understanding of the change in social security, we strongly recommend that research should continue to strive for a better measurement of welfare state change (in cross-national, cross-sectional and inter-temporal perspectives) as well as for improved accounts of few well-selected cases, and importantly, the combination of thereof. In order to grasp better the results in this study, we also propose to view how welfare state change evolves. There is a serious lack of research capturing the change (and reasons behind it) in welfare states, and as described already above, an actor oriented analysis might be a step towards a better understanding of welfare state change, or at least why structural reforms occur. The bottom line is that reforms need actors to bring the ideas and interests into action. Furthermore, the literature on policy learning could in our view be a potential way of approaching the question of welfare state change in a path-dependent world of social security institutions. We see the value of the notion of bounded learning proposed by Visser (2007), that points out that changes take place in institutions where the past influence the future. Visser (2007) argues that policy-makers restrict their policies to fit with their existing cognitive mind-maps and this might explain why the trajectories of benefit reform so often follow a certain familiar path. The value of policy learning theories is also that they allow the evolution of policies to occur, that is, they leave room for change to take place through policy-makers ability to learn (and implement reforms). If approaching path dependence as a condition where both continuity and change co-exist, policy learning theories could at least provide us with plausible hypotheses to be tested against data that tries to capture change. Apropos, a lot of work remains to be done.



vastauksia etsitään tutkimuskysymykseen *kuinka etuuksien saantioikeuksia ja -ehtoja on muutettu, ja onko mahdollista löytää kansallisia trendejä*. Analyysi osoittaa, että viimeiset 26 vuotta ovat merkinneet kaikkialla tiukempia saantiehtoja ja pienempiä etuuksia sosiaaliturvan saajille.

*Isossa-Britanniassa* etuuksien saantioikeuden ja hakijan työkäytöksen (työhistoria, työnhakukäytös, työn vastaanottamishalukkuus jne.) välillä on tiiviimpi yhteys ja varsinkin työttömille – etenkin pitkäaikaistyöttömille – sekä nuorille on asetettu tiukempia ehtoja etuuksien saamiselle sekä niiden piirissä pysymiselle. Brittiläisen sosiaalivakuutusjärjestelmän muutokset ovat muuttaneet vakuutusjärjestelmää, joka on sidottu korvaamaan aikaisempia työansioita, kohti järjestelmää, joka maksaa ainoastaan vähimmäistasoisia etuuksia. Vastaavanlaista sosiaalivakuutuksen ja vähimmäisturvan luonteen sekoittumista ei ole löydettävissä muista vertailumaista.

Vaikka *Alankomaiden* järjestelmä on käynyt läpi monia muutoksia viime vuosikymmeninä, muutokset eivät ole järjestyneet järjestelmän kulmakiveä, sosiaalivakuutusta, joka tarjoaa työansioita korvaavia etuuksia työttömyyden tai sairauden uhatessa. Analyysi osoittaa kuitenkin, että useat yksittäiset (joskus hyvin pienetkin) muutokset Alankomaiden sosiaalivakuutusjärjestelmässä ovat johtaneet siihen, että etuuden saanti (oikeus etuuteen sekä etuuden taso) on entistä tarkemmin sidottu hakijan työhistoriaan, ja käytännössä vain henkilöt, joilla on pitkä ja vakaa työhistoria, saavat nauttia vakuutusetuksista; muut hakijat joutuvat turvautumaan tarveharkintaiseen vähimmäisturvaan. Huomioitava on myös, että Alankomaissa merkittävimmät muutokset on tehty työkyvyttömyysetuusjärjestelmään, jonka saantiehtoja on merkittävästi tiukennettu.

*Suomessa* sosiaaliturvaetusjärjestelmän ehtoja on sekä laajennettu että tiukennettu viimeisten kahden ja puolen vuosikymmenen aikana. Vaikka perusturva on pyritty suojelemaan radikaaleimmilta muutoksilta, varsinkin nuoret, pitkäaikaistyöttömät ja vähimmäisturvan saajat ovat kohdanneet epäsuotuisia muutoksia 1990-luvun (laman) aikana. Muutokset ovat johtaneet sosiaaliturvan oikeuksien polarisoitumiseen; tilanteeseen, jossa perusturva on heikennetty ja hakijoita on ohjattu joko (työ)vakuutusten tai vähimmäisturvan piiriin perusturvan sijasta.

Luvussa 6 tarkastellaan kansallisia trendejä vertailevasta näkökulmasta. Tutkimuskysymyksen 2, onko muutoksille löydettävissä yhteisiä trendejä maiden/järjestelmien väliltä, pohjalta osoitetaan, että tarkastelluissa maissa/järjestelmissä on toteutettu samansuuntaisia muutoksia: muutokset ovat 1) korostaneet työn merkitystä, 2) lisänneet etuudensaajien aktiivointia, 3) kohdentaneet etuuksia tarkemmin tietyille tuensaajille sekä 4) heikentäneet etuuksien tasoa. Vaikka nämä trendit ovat löydettävissä jokaisesta maasta, on olemassa maakohtaisia eroja. Esimerkiksi Ison-Britannian järjestelmissä etuudensaajiin on kohdistettu aktiivointitoimenpiteitä sekä etuuksia on kohdennettu tietyille etuuksiensaajaryhmille, kun taas Alankomaissa työn (erityisesti työhistorian) merkitystä etuuden saannin edellytyksenä on korostettu. Suomessa aktiivointitoimenpiteitä on lisätty ja perusturvan heikennys on kohdentanut etuuksia joko

vakuutetuille työntekijöille tai vähimmäisturvan hakijoille. Kyseiset trendit löytyvät myös jokaisesta tutkitusta järjestelmästä, mutta ne korostuivat eritoten työttömyysvakuutusjärjestelmän muutoksissa. Löydetyt neljä muutostrendiä antavat empiiristä näyttöä konvergenssista eli muutosten (tavoitteiden) lähentymisestä eri maiden välillä. Konvergenssi tapahtuu kuitenkin tutkimuksessa vain yleisellä sosiaaliturvajärjestelmien tavoitteiden tasolla, ei niinkään alemmalla sosiaaliturvajärjestelmän tasolla, kuten instrumenttien tasolla. Se, kuinka muutokset kansallisessa järjestelmässä järjestetään (eli instrumenttitasolla), näyttää tämän tutkimuksen mukaan seuraavan kovin järjestelmällisesti kansallisia omia perinteitä sosiaaliturvan jaossa.

Luvussa 6 osoitetaan muutosten johtaneet ns. *de facto individualisaatioon*, eli tilanteeseen, jossa sosiaaliturvaetuuksien saajien oikeudet ja saantiehtot on enenevässä määrin sidottu hakijan henkilökohtaisiin ominaisuuksiin (kuten hakijan henkilökohtaiseen työhistoriaan sekä hänen käytöksellisiin ominaisuuksiinsa, kuten hänen työnhakukäytökseensä, työn vastaanottohalukkuuteensa, yhteistyöhalukkuuteensa jne.).

### Vaikutukset teoriaan

Luvussa 7 tutkimustuloksia tarkastellaan aikaisempien teorioiden pohjalta ja vastauksia etsitään viimeiseen tutkimuskysymykseen: *Mikä on sosiaaliturvaetuuksien muutoksen suunta ja laajuus? Kuinka nämä eroavat eri maiden, järjestelmien tai hakijaryhmien kesken? Ja mitä löydökset kertovat nykyisistä teorioista hyvinvointivaltion muutoksesta?* Teoriat, jotka ehdottavat hyvinvointivaltioiden olevan vastustuskykyisiä muutokselle, eivät saa vahvistusta tästä tutkimuksesta. Päinvastoin, tutkimus osoittaa, että muutoksia sosiaaliturvan saajien oikeuksiin ja saantiehtoihin on tehty kaikissa maissa ja kaikissa järjestelmissä. Muutos on monisuuntainen: muutokset ovat sekä tiukentaneet että laajentaneet sosiaaliturvaetuuksien saajien oikeuksia. Varsinkin 2000-luvulla toimeentuloturvaetuuksien tasoon on tehty parannuksia. Kuitenkin muutoksien pääsuuntaus on ollut kohti tiukempia saantiehtoja sekä lisääntyviä (työperäisiä) ehtoja. Muutosten laajuus vaihtelee pienistä tarkistuksista suuriin rakenteellisiin muutoksiin. Analyysi osoittaa myös, kuinka yhden maan ja jopa yhden järjestelmän sisältä saattaa löytyä (suuriakin) eroavuuksia.

Rakenteellisia uudistuksia on tehty jokaisessa maassa ja jokaisessa järjestelmässä, mutta merkittävimmät muutokset on löydetty Isosta-Britanniasta ja järjestelmätasolla työkyvyttömyyseläkejärjestelmästä. Lisäksi tietyt ryhmät ovat kokeneet keskimääräistä enemmän (ja tiukempia) muutoksia: juuri nuorten työttömien ja osittain työkyvyttömien henkilöiden etuuden saamisperusteita on enemmän kiristetty.

Ymmärtääksemme muutosten merkityksen hyvinvointivaltion sosiaaliturvajärjestelmille muutoksia täytyy tarkastella pitkällä aikavälillä. Muutosten analyysi vuosien 1980 ja 2006 välisenä aikana osoitti, että riippumatta useista rakenteellisista muutoksista sosiaaliturvaetuuksien reformi on seurannut sangen tarkasti kansallista polkuidonnaista reittiä: brittiläinen järjestelmä on palannut Beveridgen aikaiseen

vähimmäisturvan tarjontaan, Alankomaiden järjestelmä tarjoaa edelleen (työ)vakuutusjärjestelmänsä puitteissa ansiosidonnaista sosiaaliturvaa ja Suomessa sosiaaliturvan hakijoille tarjotaan (heikentyneen) perusturvan lisäksi ansiosidonnaista sosiaalivakuutusta sekä tarveharkintaista toimeentuloturvaa. Vaikka polkusidonnaisuus näyttää leimaavan kansallisia sosiaaliturvan muutoksia, se ei sulje pois muutoksen mahdollisuutta. Päinvastoin, tutkimus osoittaa, kuinka eri maiden sisällä ollaan valittu uusia polkuja (esimerkiksi muutos passiivisesta aktiiviseen sosiaalipolitiikkaan). Nämä muutokset saattavat pitkällä aikavälillä johtaa paradigman muutokseen. Toisaalta tässä tutkimuksessa osoitetaan, että sosiaaliturvajärjestelmät näyttävät toistaiseksi seuraavan melko tarkasti valittua reittiä.



## SAMENVATTING

Van Gerven M. **De brede paden van de padafhankelijke uitkeringshervormingen. Een longitudineel studie van sociale zekerheidsuitkeringshervormingen in drie Europese landen, 1980–2006.** Helsinki: De Sociale Verzekerings Institutie, Finland. Studies in sociale zekerheid en gezondheid 100, 2008. 362 p. ISBN 978-951-669-784-3 (band), 978-951-669-785-0 (pdf).

Factoren zoals lage economische groei, de uitbreiding van Europese integratie op het terrein van sociaal beleid, vergrijzing van de populatie, structurele en langdurige werkloosheid etc. worden vaak genoemd als redenen voor de herstructurering van de verzorgingsstaat. Toch laat het academisch onderzoek die deze hervormingen in kaart willen brengen vaak zien hoe moeilijk (of bijna onmogelijk) het is om deze instituties te veranderen. Verzorgingstaten worden gezien als ‘bevroren instituties’ (Esping-Anderen) of ‘onbuigzame instituties’ (Pierson) die bestand zijn tegen grote hervormingen. En als er hervormingen te vinden zijn, zijn deze meestal kleine padafhankelijke aanpassingen die het stelsel minder genereus maken. In tegenstelling met deze stabiliteitsstellingen, heeft recent onderzoek aangetoond dat er toch in toenemende mate hervormingen plaatsvinden in de Europese verzorgingsstaten. In het kruisvuur van deze twee opvattingen, analyseert dit onderzoek de richting en het niveau van de hervormingen van Europese sociale zekerheidsstelsels. De veranderingen in de rechten en plichten worden geanalyseerd in drie Europese landen (Verenigd Koninkrijk, Nederland en Finland) en drie sociale zekerheidsstelsels (werkloos-, arbeidsongeschiktheids- en bijstandsregelingen) tussen 1980 en 2006. De data bestaan uit de nationale wetgeving en andere nationale primaire bronnen.

### De dimensies van de verandering

Het empirische luik van deze dissertatie focust op de beschrijving, de analyse en de vergelijking van de hervormingen in de sociale zekerheidsstelsels van bovengenoemd landen. Meer specifiek, wordt de richting en het niveau van veranderingen geanalyseerd, evenals de regelingen en groepen van uitkeringsgerechtigden. Onder *richting* wordt verstaan de veranderingen die de rechten en plichten uitbreiden of inkrimpen. Onder *niveau* wordt verstaan de veranderingen die betrekking hebben op hervormingen die leiden tot incidentele of structurele veranderingen; de laatstgenoemde worden in dit onderzoek begrepen als de veranderingen die de klassieke herverdelingsprincipes (volgens Deutch zijn dat behoefte, reciprociteit en universalisme) veranderen.

### Onderzoeksvragen en bevindingen

Gebaseerd op de bestaande theorieën en onderzoeken, worden in hoofdstuk 2 drie onderzoeksvragen gesteld. In de hoofdstukken 3 tot en met 5 worden de nationale veranderingen gedetailleerd besproken en wordt zo de eerste onderzoeksvraag van antwoord gedient: *hoe zijn de rechten en plichten van de uitkeringsgerechtigden veran-*

*derd en is het mogelijk om nationale trends te onderscheiden?* Een algemene conclusie is dat er de laatste 26 jaar voor de uitkeringsgerechtigden strengere regels gelden en het uitkeringsniveau gedaald is. Het *Verenigd Koninkrijk* heeft een strenger verband gelegd tussen het recht op een uitkering en het arbeidsvermogen (i.c. arbeidsverleden en werkzoekgedrag). De veranderingen in de Britse stelsels hebben geleid tot een verschuiving van een inkomensgerelateerd stelsel naar regelingen die alleen een minimum inkomen garanderen. Dit soort vermenging van verzekering en bijstandsregelingen worden niet in de twee andere onderzochte landen gevonden. Enerzijds heeft ook het *Nederlandse* stelsel ook veel veranderingen doorgemaakt, maar is de kern overeind gebleven: het stelsel van inkomensgerelateerde werknemersverzekering voor werkloosheid en ziekte. De analyse laat zien dat het heden ten dage moeilijker is om in Nederland een uitkering te verkrijgen. Bovendien zijn het recht en het niveau van de uitkering sterker afhankelijk van het arbeidsverleden. In Nederland zijn de grootste hervormingen doorgevoerd in het stelsel voor de arbeidsongeschikten. De veranderingen in het *Finse* stelsel hebben geleid tot zowel uitbreiding en inkrimping. De basiszekerheidsstelsel is grotendeels intact gebleven maar het zijn vooral de jongeren, langdurig werklozen en mensen met een minimumuitkering die veel negatieve veranderingen hebben moeten ondergaan. De veranderingen in Finland hebben geleid tot polarisering van de rechten waar de basiszekerheid zijn waarde in het verdelingsproces verloren heeft. Bijgevolg moeten uitkeringsgerechtigden aanspraak maken op het werknemerstelsel of minimumbijstand.

Hoofdstuk 6 is een vergelijkend hoofdstuk waarin de tweede onderzoeksvraag wordt geanalyseerd: *zijn er bepaalde trends binnen Europa en / of binnen regelingen te vinden*. De conclusies zijn dat er inderdaad overeenkomsten zijn, namelijk 1) meer nadruk op het arbeidsvermogen; 2) meer activering van de uitkeringsgerechtigden; 3) richten van de uitkering op bepaalde groepen; en 4) lagere uitkeringen. Ondanks deze overeenkomsten tussen landen en regelingen, maakt het onderzoek duidelijk dat gelijkaardige doelstelling op verschillende manieren kunnen worden gerealiseerd. In het Britse stelsel bijvoorbeeld zijn de uitkeringen teruggekeerd naar een minimum bescherming, terwijl de uitkeringen in Nederland zich meer zijn gaan richten op mensen met een (lang) werkverleden. De overeenkomsten komen het meest duidelijk naar voren in de werkloosheidsuitkeringregeling. Een algemene conclusie die hier getrokken kan worden is dat de specifieke trends een bewijs leveren voor *convergentie binnen Europa*.

Deze convergentie vond echter enkel plaats op het niveau van de brede algemene doelstellingen van de hervormingen, maar niet specifiek op het niveau van de instrumenten. De manier waarop (en met welke instrumenten) de sociale zekerheidherverdeling wordt doorgevoerd in een land blijkt volgens dit onderzoek sterk afhankelijk te zijn van de nationale herverdelingstradities.

Hoofdstuk 6 laat ook zien dat de hervormingen leiden tot *de facto individualisering*. Rechten en plichten zijn met andere woorden in toenemende mate gebonden aan de persoonlijke situatie van de uitkeringsgerechtigde (zoals zijn of haar arbeidsverleden, werkzoekgedrag of iets dergelijks).

## Implicaties voor theorie

In hoofdstuk 7 worden de conclusies getrokken en antwoorden op de laatste vraag gegeven: *wat is de richting en niveau van de verandering, en wat betekenen deze bevindingen voor de bestaande theorieën?* De bevindingen laten zien dat de verzorgingsstaten niet bestand zijn tegen de hervormingen, terwijl de literatuur beschrijft dat ze (haast) niet voorkomen. In de afgelopen 26 jaar is er veel gebeurd in alle landen en regelingen. De richting van de hervorming is veelzijdig: de hervormingen hebben de rechten en plichten zowel verruimd als verkleind. De hoofdrichting is de inkrimping van de rechten en de verruiming van de plichten. Het niveau van verandering kan variëren van kleine wijzigingen tot grote structurele herzieningen. De structurele veranderingen komen voor in alle landen en alle stelsels. Op het landenniveau is het Verenigd Koninkrijk toonaangevend, terwijl op het stelselniveau de grootste veranderingen zichtbaar zijn in de arbeidsongeschiktheidsregeling. Ook hebben sommige groepen van uitgeroepde gerechtigden meer verandering ondergaan: vooral de jonge werkloze en de gedeeltelijk arbeidsongeschikte.

Om deze verandering te kunnen begrijpen, moet deze bekeken worden over een lange tijdsperiode. De analyse tussen 1980 en 2006 laat zien dat hoewel verschillende structurele veranderingen plaats gevonden hebben, de hervormingen toch redelijk padafhankelijk zijn geweest. Het Britse stelsel is terugekeerd naar minimumuitkeringen zoals het was na het Beveridge report, het Nederlandse stelsel biedt nog steeds werknemersverzekeringen en Finland heeft nog steeds een basiszekerheidsregeling. De padafhankelijkheid lijkt karakteristiek te zijn voor de hervormingen van de sociale zekerheidsstelsels, maar dit betekent allerm minst dat veranderingen niet voorkomen. Integendeel, deze analyse laat zien hoe er nieuwe paden zijn gevormd binnen de landen (zoals de verschuiving vanuit passief beleid naar actief beleid). Doorheen de tijd kan deze verandering leiden tot een principiële verandering, maar zoals dit onderzoek laat zien, is padafhankelijkheid vast ingeworteld in de sociale zekerheidsstelsels.

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## Appendix 1: the UK

In this appendix, the full list of the benefit reforms used in the Chapter 3 are presented. Here, first, a detailed description is given of the data sources used in the present research. Second, the Acts altering social security benefit rights are listed chronologically.

### 1 REFERENCES ON REFORMS IN LEGISLATIONS IN THE UK

In the UK, the Social Security Acts are published in an annual compilation of *Public General Acts and Measures*, extending back to 1949. Since 1988, the Public Acts are also available on the Internet site of the UK Parliament (<http://www.legislation.hmso.gov.uk/acts.htm>). The Acts are listed in an alphabetical as well as numerical order. By judging from their titles, the reader can single out the social security related Acts without bigger difficulties. The drawback for this compilation, or any countries' general law compilation, is that they do not give the reader a complete overview over how a new Act differs from an older Act. Another source for the British Social Security Acts is the compilation of *Current Law Statutes Annotated*, published by Sweet and Maxwell. It is an improvement to the General Acts, while this source includes extensive comments to these acts, which provide the needed background information in order to understand the reforms. For same purposes, the Explanatory Notes, produced since 1999, are useful to grasp these implemented alterations. They are easily found in the internet (<http://www.legislation.hmso.gov.uk/legislation/uk-expa.htm>), but they are unfortunately only available of the most recent acts. The purpose of these *Explanatory Notes* is to make the Act of Parliament accessible also to readers with no juridical training. They allow the reader to grasp what the Act sets out to achieve and place its effect in context. In addition to legal texts, three academic journals were used in a systematic way to collect changes, whereas other secondary sources (general social policy literature) were included on ad hoc basis. First, *the Social Policy Digest*, published in the Journal of Social Policy is very useful for tracing legal changes. The Digest does not only include commentary of current policy changes (acts and regulations), but it also reviews, among other things, the some of the current publications, most essential reports and surveys published by government departments, voluntary associations etc. and important bills, proposals and motions by the government. Second, *the Welfare Rights Bulletin*, published six times a year by the Child Poverty Action Group (CPAG), is a publication directed especially to social workers. It focuses mainly on the legislative changes from the perspective of a social worker, but it covers quite wide field of the social security provision and deals with the issues in reasonably comprehensive way. Furthermore, the CPAG's *Handbook of social security benefits*, published annually, was used for describing the social security benefits schemes in the beginning and end of the research period, that is, in 1980 and 2006. The handbooks provide a detailed description of the benefit eligibility and entitlement rights of certain year. Additionally, other secondary sources (such as academic publications) were included when necessary, but mainly on ad hoc basis to grasp the nature of the reforms. The marvellous

publications by Wikeley, Ogus and Barendt’s (2002) ‘The Law of Social Security’ and its’ previous editions by Ogus and Barendt (1978, 1982, 1995) are exceptionally useful when trying to understand the British Social Security Acts. Furthermore, we looked into the Social Security Departmental Reports and the Government’s Expenditure Plans and Main Estimates published by The Department for Work and Pensions<sup>339</sup> (www.dwp.gov.uk) and the work of country experts on social security such Atkinson (1995), Clasen (1994; 2003; 2005), Hills (1990), Sinfield (2003) just to name a few.

## 2 CHRONOLOGICAL LISTINGS OF THE BRITISH SOCIAL SECURITY ACTS 1980–2006

### 2.1 UNEMPLOYMENT INSURANCE (UB and JSA)

Year	Measure	Direction	Scope
1980	<b>Social Security Act</b> (No. 2) 1980 (c. 39)		
	Reduction of ‘linked spell’ rule from 13 weeks to 8 weeks	-	Adj.
	Indexation increased 5% less for short-term benefits	-	Adj.
	Abolition of ERS for UB	-	Struct.
	The abatement of UB for occupational pensions	-	Struct.
1981	<b>Finance Act 1981</b> . Details in <b>Income Tax (Employment) Statutory Instrument, SI No 13 1982</b>		
	UB made subject to income taxation	-	Adj.
1982	Statutory Instrument (March), SI		
	Increase from 75p to £2 of amount an unemployed person can earn in a day without losing rights to UB	+	Adj.
1983	<b>Social Security and Housing Benefit Act 1983</b> (c. 36)		
	All unemployed men aged 60 and over were no longer required to be available for employment and they became entitled to the long-term rate of SB	+	Adj.
	Restoration of the 5% decrease in benefit (in 1980)	+	Adj.
1984	<b>Health and Social Security Act 1984</b> (c. 48)		
	Abolition of child additions (except for claimants over pensionable age) in UB	-	Adj.
1985	<b>Social Security Act 1985</b> (c. 53)		
	Exemption from disqualification provisions in UB for those accepting voluntary redundancy	-	Adj.
1986	<b>Social Security Act 1986</b> (c. 50)		
	Increase in maximum disqualification period in UB from 6 to 13 weeks	-	Adj.
	Removal of the entitlement of full-time students to UB and SB during the grant-aided period. Student not entitled to these benefits in the short vacations	-	Adj.
	Gave the Secretary of State the power to vary the amount of any increase (statutory indexation)	-	Struct.
	Abolition of ¼ and ½ UB rates for those with incomplete contribution records	-	Adj.
	Introduction of ‘Restart’ programme	-	Struct.

339 Before June 2001 DWP was known as Department of Social Security (DSS), which was part of the former Department for Education and Employment (DFEE).

1988	<b>Social Security Act 1988 (c. 7)</b>		
	Change to contribution requirement for UB	-	Adj.
	Abatement for occupational pensions for a person over the age of 55	-	Adj.
	<b>Employment Bill 1988</b>		
	YTS allowance for 16 and 17 year olds	-	Adj.
1989	<b>Social Security Act 1989 (c. 24)</b>		
	Introduction of 'Actively Seeking Work' test	-	Struct.
	Abandonment of conditions, after 13 weeks of unemployment, relative to suitable work under Clause 9 (permitted period tightened to 13 weeks)	-	Adj.
	Introduction of 'Employment Trials', similar programme to Linked spell rules	+	Adj.
1990	<b>Social Security Act 1990 (c. 27).</b>		
	Exclusion of students from UB (including during the 'long' summer holiday)	-	Adj.
	Introduction of Employment Service 'back to work plans'	-	Adj.
1992	<b>Social Security Contributions and Benefits Act 1992 (c. 4)</b>		
	Further tightening of disqualification conditions in UB	-	Adj.
	Reduction of UB (10p for 10p) for recipients of occupational pensions over 55	-	Adj.
1992	<b>SSCBA and Social Security (contribution) Regulations</b>		
	Habitual residence test	-	Adj.
1995	<b>Jobseeker's Act 1995 (c. 18), details Statutory Instrument 1996/207</b>		
	Reduction of maximum duration of contributory benefit from 1 year to 6 months	-	Adj.
	20% reduction of contributory JSA rate for the young (18-24), to bring it into line with IS	-	Adj.
	Alignment of earnings-disregards for both JSAs: recipients of will be able earn a non-deductible £5/week	-	Adj.
	Removal of all remaining dependant additions which existed under UB (for partners not working or working under the lower earnings limit)	-	Struct.
	Reduction of UB (10 p for 10 p) for recipients of occupational pensions of all ages (but higher amount)	- / +	Adj.
	Minimum sanction period (thus) increased from 1 day to 1 week	-	Adj.
	Waiting-days (3) for Income-based JSA (none under IS-unemployed, but well under UB)	-	Adj.
	Introduction of requirement to sign a Jobseeker's agreement	-	Struct.
	Introduction of obligatory Jobseeker's directions	-	Struct.
	Reduction of qualification period for Employment Trials from 26 weeks to 13 weeks	-	Adj.
	For Income-related JSA, definition of full-time work reverts (see 1992 changes to Income Support) to 24 hours	-	Adj.
	Introduction of Back-to-Work Bonus	+	Adj.
	Introduction of 'Project Work' pilots for long-term unemployed, based on 13 weeks compulsory supervised job-search then 13 weeks work experience	+	Adj.
	Stricter work search conditions	-	Adj.
1997	First budget of Labour Party		
	Introduction of New Deal, ND programmes for young people under 25 (NDYP) and long-term unemployed (NDLTU) out of work for 2 years	-	Struct.

1998	<b>Social Security Act 1998 (c. 14)</b>		
	Special ND sanctions for 18–24-year-olds, registered unemployed for 6 months, who refuse ND options	-	Adj.
	ND for Lone Parents (NDLP) voluntary job-related interview	0	Adj.
1999	<b>Welfare Reform and Pensions Act 1999 (c. 30) WRPA</b>		
	Introduction of work-focussed gateway (WFI)	-	Adj.
	ND for partners (DNP) of the Unemployed/joint-claim JSA to claimants aged 18 to 24 (for those without children)	-	Adj.
	ND for Over 50s (launched in April 2000) – voluntary	0	Adj.
2000	<b>Social Security Amendment (Capital limits and earnings disregards) Statutory Instrument 2000/2545</b>		
	Income-based JSA and IS* existing capital limits increased for pensioners	+	Adj.
	Income-based JSA and IS lower limit from £3,000 to £6,000 and the higher limit from £8,000 to 12,000	+	Adj.
	Existing £15 a week earnings disregards increased to £20 a week for all income related benefits	+	Adj.
2002	<b>Tax Credit Act c 21</b>		
	Child tax credit (CTC) and Working Tax Credit (WTC): new tax credit replaced DN 50+ and child-related elements of IB JSA	+	Adj.
	NDLP: introduction of compulsory job-related interview and interview with personal adviser every six months for lone parents	-	Adj.
2003	<b>Social Security (Work Focused Interview for Partners) Statutory Instrument (NI) 2003 for IS, IB, income-based JSA, SDA Into effect 12th April 2004</b>		
	NDP mandatory for JSA claimants under 45 years of age (if no children)	-	Adj.
2004	Entry into NDYP and ND25+ already after three months of unemployment (piloted in certain areas)	-	Adj.

## 2.2 SICKNESS AND DISABILITY BENEFITS

Year	Measure	Direction	Scope
1980	<b>Social Security 1980 (no 2) Act SSA 1980 (into effect on 14 September 1980)</b>		
	National insurance benefits: UB, Sickness Benefit, maternity and IVB increased by 5% less than the increase in prices	-	Adj.
	13 week ‘linking’ rule reduced to 6 weeks	-	Adj.
	Abolition of ERS from Sickness Benefit (in force 1982).	-	Struct.
	Suspension, for 3 years, the duty of the Secretary of State to index link short term NI benefits	-	Adj.
1982	<b>Social Security and Housing Benefit Act 1982 (c. 24) SSHBA 1982</b>		
	Introduction of Statutory Sick Pay SSP (in force 1983)/privatisation of SSP	0	Struct.
	Three rates of SSP available	+	Adj.
	Abolition of dependent increases under SSP	-	Struct.
	Sick pay was made subject to tax.	-	Adj.
1983	<b>The Supplementary Benefit (Requirements and Single Payments) Amendment Regulations 1983, SI, No 1240</b>		
	Some recipients of IVB and Non-contributory IVB, can claim SB and be immediately assessed at the long term rate	+	Adj.

1984	<b>Health and Social Security Act 1984</b> (c. 48) HSSA 1984		
	Severe Disablement Allowance (SDA) replaced Non-contributory Invalidity Pension (NCIP) and Housewives' Non-contributory Invalidity Pension (HCHIP)	-	Adj.
	Women included	+	Adj.
	Medical tests	-	Adj.
1985	<b>Social Security Act 1985</b> (c. 53) SSA 1985		
	The treatment of dependant additions for husbands, wives and housekeepers into line between the sexes for those claiming Retirement Pension and IVB	+	Adj.
	Extension of period SSP from eight weeks to 28 weeks (into force in 1986): only self-employed and very few workers entitled to Sickness Benefit after this	+	Adj.
1986	<b>Social Security Act 1986</b> (c. 50) SSA 1986 (some into force on 11 April 1988)		
	Abolition of Upper Earnings Limit for employers National Insurance Contributions	0	Adj.
	Abolished reduced rate short-term benefits payable where National Insurance contribution records were incomplete	-	Adj.
	Gave the Secretary of State the power to vary the amount of any increase (statutory indexation)	-	Struct.
1989	<b>Social Security Act 1989</b> (c. 24) SSA 1989		
	Abatement of IVB for local authority councillors	-	Adj.
1990	<b>Social Security Act 1990</b> (c. 27) SSA 1990		
	SDA: age related addition introduced	+	Struct.
1991	<b>Disability Living Allowance and Disability Working Allowance Act 1991</b> (c. 21) DLA and DWA 1991		
	Disability Working Allowance (DWA) and Disability Living Allowance (DLA) introduced. DWA 1999 changed to Disabled Person's Tax Credit DPTC.	+	Adj.
1992	<b>Social Security Administration Act 1992</b> (c. 5) SSAA 1992		
	Obligations to employees to provide more information to employer for the purpose of determining the duration of the period of SSP entitlement	-	Adj.
	<b>Social Security Contributions and Benefits Act 1992</b> (c. 4) SSCBA		
	Tightening disqualifying conditions: if become incapable of work through own misconduct and for failure to attend or submit to medical examination or treatment	-	Adj.
1992	<b>SSCBA 1992</b> (c. 4) and <b>Social Security (Contributions) Regulation, SI 1992/1814</b>		
	Habitual residence test	-	Adj.
1994	<b>Social Security (Incapacity for Work) Act 1994</b> (c. 18) (into effect April 1995) (inserted many parts already in SSCBA 1992)		
	Short-time (IB) illness extended from 6 months to 1 year	-	Adj.
	IB made taxable	-	Adj.
	Own occupation test and All Work Test	-	Struct.
	Phasing out of ERS still existed in IVB	-	Struct.
	Tightening the child supplements for IB	-	Adj.
	Tightening the depended adult supplements for IB	-	Adj.
	Abolishing the lower rate of SSP: only one rate now	+	Adj.
	Periodic reviews compulsory for long-term IB'ers	-	Adj.
	Tightening the age allowances in long-term IB	-	Adj.
	<b>Statutory Sick Pay Act 1994</b> (c. 2) SSPA 1994		
	Finalised privatisation	0	Adj.
1995	<b>SI 1995/311</b> (also 1997 amendment to regulations (January)		
	Regulations made exceptions to qualify the IB without enough points more restrictive	-	Adj.



1997	First budget of 1997		
	Introduction of New Deal (voluntary for disabled)	0	Struct.
1999	<b>Welfare Reform and Pensions Act 1999</b> (c. 30) WRPA 1999		
	Change of contribution conditions for IB (only determined once)	-	Adj.
	All work test renamed as personal capability assessments	-	Adj.
	ND for partners (DNP) of the Unemployed/joint-claim JSA to claimants aged 18 to 24. for over 6 month (for those without children)/ as of 2004 also to IB	-	Struct.
	Work focused gateway and ONE pilot affected also disabled: first voluntary, but as of April 3rd 2001 IB claimants required to attend interview as an integral part of their claim	-	Struct.
	Freezing of SDA: also changes to Youth IB contribution requirement	-	Struct.
	Occupational or personal pensions were made to reduce the long-term IB	-	Struct.
	<b>Tax Credit Act 1999</b> (c. 10) TCA 1999		
	Introduction of Disabled Person’s Tax Credit (DPTC) and Working Families Tax Credit (WFTC)	+	Adj.
2002	<b>Tax Credit Act</b> (c. 21) TCA 2002		
	The working tax credit for working households facing low income, including those in which a worker has a disability (important but not relevant for benefit rules)	+	Adj.
	<b>The Social Security (Incapacity) (Miscellaneous Amendments) Regulations 2002</b> SI No. 491		
	Permitted work replaced therapeutic work rules	+	Adj.
2003	<b>The Social Security (Incapacity Benefit Work-focused Interviews) Regulations 2003</b> , SI 2003 No. 2439		
	Pathways to work: new rules for WFI for the incapacitated	-	Adj.
2005	<b>Statutory Instrument 2005</b> No. 2604 The Social Security (Incapacity Benefit Work-focused Interviews) Amendment (No. 2) Regulations 2005		
	increase the numbers of disabled persons that can be required to attend work-focused	-	Adj.

### 2.3 SOCIAL ASSISTANCE

Year	Measure	Direction	Scope
1980	<b>Social Security Act</b> (No. 2) 1980 (c. 39)		
	Alignment of SB rates (see also NI rates UB)	-	Adj.
	SB subjected to taxation	-	Adj.
	Reduction in number of age ranges for children from five to four (previously 0–4, 5–10, 11–12, 13–15, 16–17, now 0–10, 11–15, 16–17 and 18-year-olds)	+	Adj.
	Introduction of tapered earnings disregards for single parents	+	Adj.
	A capital limit of £2,000 (in place of £1,250) which became absolute	+	Adj.
	School-leavers denied the right to claim benefit until the end of the vacation following their last term in full-time education	-	Adj.
	Relevant education (up to 19) in relevant full time education excluded from the benefit	-	Adj.
1981	<b>Social Security Act 1981</b> (c.30)		
	Long-term SB rate extended for those unemployed men aged 60 or over, who had been unemployed over one year and did no longer register for work. (also 1983/36)	+	Adj.
	Supplementary Benefit (Single Payments) Regulation SI 1528/1981		

1981	Specified items for which a payment (a single payment, previously an exceptional needs payment) could be made and whether the payment would cover a new or second-hand item	+	Adj.
1982	<b>Social Security and Housing Benefit Act 1983</b> (c. 36)		
	Capital limit raised to £2,500	+	Adj.
1985	<b>Social Security Act 1985</b> (c. 53)		
	Voluntary unemployment deductions to SB (ref UB)	+	Adj.
1986	<b>Social Security Act 1986</b> (c. 50), introduction IS		
	Removal of the entitlement of full-time students to SB during the grant-aided period	-	Adj.
	Capital limit cut-off increased to £6,000, but re-introduced a tariff income for capital between £3,000 and £6,000	+	Adj.
	New earnings-disregard of £15 for lone parents	+	Adj.
	Introduction of a lower rate of IS for under 25 years (18–25) than for over 25 years	-	Adj.
	Full-time' (the word was dropped out) and work threshold for IS was lowered from 30 hours per week to 24 hours per week	+	Adj.
	The extension of the disqualification period in 1986 and 1988 described for NI benefit (UB), also applied to SB where there is a 40 per cent (or 20 per cent) deduction	-	Adj.
	Premiums introduced for pensioners and the disabled and those with young children, replacing automatically granted higher rates and discretionary heating additions which existed in SB scheme	-	Adj.
1987	<b>Statutory Instrument Income Support (General) Regulations</b> SI 1987/1967		
	IS claimants must fall within a prescribed category of person as listed in a Schedule to the regulations	-	Adj.
	Premiums for lone parents (SI 1987/1971)	+	Adj.
1988	<b>Social Security Act 1988</b> (c. 7)		
	Minimum age of entitlement to income support raised from sixteen to eighteen	-	Adj.
	Exception to this general rule under <b>Income Support (general) Amendment NO 3 Regulations SI 1228/1988</b> (to those in severe hardship, incl. Those with disabilities and single parents)	+	Adj.
	<b>Employment Bill</b>		
	YTS programme for 16 and 17	-	Struct.
	Stricter sanctions	-	Adj.
1989	<b>Social Security Act 1989</b>		
	Availability for work.	-	Struct.
1990	<b>Social Security Act 1990</b> (c. 27)		
	Some items added to list of those disregarded in IS calculation: fares to hospital, payment for prison visits, payments for vitamins	+	Adj.
	Reductions in IS made possible for unemployed claimants failing to attend Restart interviews	-	Adj.
	The upper limit of capital was raised (from £6,000) to £8,000	+	Adj.
1992	<b>Social Security Contributions and Benefits Act 1992</b> (c. 4)		
	Full-time work threshold for IS lowered from 24 hours to 16 hours (but extension of Family Credit entitlement for households (with children) where someone is in work for more than 16 hours, instead of 24 previously)	+	Adj.
	<b>SSCBA and Social Security (Contributions) Regulation</b>		
	Habitual residence test for IS and (income-based JSA)	-	Adj.

1995	<b>Jobseeker's Act 1995</b> (c. 18)		
	People able work removed to JSA	-	Adj.
	No time rules for part-time students under IS	+	Adj.
1996	<b>Statutory Instrument</b> The Income-related Benefits and Jobseeker's allowance (personal allowances for children and young persons)(Amendment) Regulation 1996/2545		
	Age ranges for children reduced to three; 0–10, 11–15 and 16–17/18. In 2000, only two age ranges for children, under 16 and 16–18.	+	Adj.
1997	<b>Statutory Instrument</b> SI 1997/1790		
	Abolition of the lone parent rate of the family premium	-	Struct.
	First budget of 1997		
	Introduction of New Deal	-	Structr.
1998	<b>National Minimum Wage Act 1998</b> (c. 39) (April 1999)		
	The National Minimum Wage is the minimum level of pay to which almost all workers in the UK have a legal right	Na	Na
1999	<b>Welfare Reform and Pensions Act 1999</b> (c. 30) WRPA		
	Work focused gateway introduced	-	Struct.
	Minimum income Guarantee (MIG) introduced for pensioners IS (inserted already in SSCBA 1992)	+	Adj.
	ND for partners (DNP) of the Unemployed/joint-claim JSA to claimants aged 18 to 24 for those without children	-	Struct.
	<b>Immigration Asylum Act 1999</b> (c. 33)		
	Person subject to immigration control entitled to IS	-	Adj.
	<b>Tax Credit Act 1999</b> (c. 10)		
	Introduction of Disabled Person's Tax Credit (DPTC) and Working Families Tax Credit (WFTC)	+	Adj.
2000	<b>Social Security Amendment (Capital limits and earnings disregards) Regulations</b> , SI 2000/2545		
	Income-related JSA and IS' existing capital limits increased for pensioners	+	Adj.
	Income-based JSA and IS lower limit from £3,000 to £6,000 and the higher limit from £8,000 to £12,000	+	Adj.
	Existing £15 a week earnings disregards increased to £20 a week for all income related benefits	+	Adj.
2002	<b>Tax Credit Act</b> (c. 21)		
	Introduction of Working Tax Credit, which replaced DPTC and WFTC	+	Adj.
	New Child Tax Credit replaced child-related elements of IS and other existing tax credit for low income families	+	Adj.
	<b>State Pension Credit Act</b> (c. 16), <b>State Pension Credit Regulations</b> 2002/1792		
	For person aged 60 or over, replaces MIG	+	Adj.
	<b>The Social Security (Incapacity) (Miscellaneous Amendments) Regulations 2002</b> SI No. 491		
April 2002, permitted work introduced	+	Adj.	
2003	<b>The Social Security (Incapacity Benefit Work-focused Interviews) Regulations 2003</b> , SI 2003 No. 2439		
	Pathways to work: new rules for WFI for the incapacitated (IS for incapacitated)	-	Adj.

References:

- Public General Acts and Measures 1980–2006.
- Current Law Statues Annotated 1980–2006.
- Journal of Social Policy (Social Policy Review) 1980–2006.
- Children Poverty Action Group (Welfare Rights Bulletins) 1980–2006.

## Appendix 2: the Netherlands

This appendix presents the full list of the benefit reforms used in the Chapter 4. First, however, a detailed clarification is given of the sources used the present study. Second, Act altering social security benefit recipients' rights are listed chronologically

### 1 REFERENCES ON REFORMS IN LEGISLATION IN THE NETHERLANDS

The official gazette, *Staatsblad voor het Koninkrijk der Nederlanden* contains new statutes and administrative orders as enacted. Another official publication source are ministerial decisions, *Staatscourant*. The Acts are listed in *Staatsblad* in an alphabetical and numerical order in the first book of each year. Here, the reader can single out the social security related Acts reasonably easily. The drawback for this Dutch compilation is again that it does not give the reader a complete overview over how a new Act differs from an older Act. The Acts are also available in the governmental website (<http://www.overheid.nl>). Furthermore, there are databanks (such as Plaza Kluwer Juridisch en Fiscaal or SDU <http://www.sdu.nl>, OPMAAT) which contains collected texts of the legislation in force. The detailed primary sources are only available in Dutch. There are some on-line sources including Dutch Social Security legislations available also in English (e.g. NATLEX [http://www.ilo.org/dyn/natlex/natlex\\_browse.home?p\\_lang=en](http://www.ilo.org/dyn/natlex/natlex_browse.home?p_lang=en)), however, the information is very limited and partially also outdated, and should be therefore consulted with great carefulness.

Furthermore, the Chronicle of Social Insurances, *Kroniek van de Social Verzekeringen*, contains the main changes (legal and also some volume information) in national old age pension, unemployment insurance, sick pay, and disability benefits. For the reforms in social assistance and other subsistence benefit, the matter of finding primary information is less simple. For details for the subsistence benefits, reader must look into official publications (*Staatsblad*). Furthermore, the homepage of the Foundation Advice group for Assistance recipients (*Stichting Adviesgroep Bijstandsgerechtigden*) is a delightful source of information. From their site (<http://www.st-ab.nl/index.html>), the legal reforms related to subsistence benefits are reasonably easy to found. Finally, *de Kleine gids voor sociale zekerheidswetten* give the reader detailed information of the entitlement rights for insurance benefits in 1980 and 2006. For subsistence benefits, these information had to be searched from the ministerial decision (*Staatscourant*) for 1980 and from the website of Dutch Ministry of Social Affairs and Employment (Ministerie van Social Zaken en Werkgelegenheid SZW [http://home.szw.nl/index/dsp\\_index.cfm](http://home.szw.nl/index/dsp_index.cfm)) for 2006. Also as secondary data, the present research used the literature of Dutch national experts of social security law. For instance, Noordam (1999; 2004a and b), Pennings (2002a and b; 2003), and van Oorschot and Boos (2000) have extensively written on different social security schemes in the Netherlands, incl. disability, unemployment, and social assistance benefit schemes.

## 2 CHRONOLOGICAL LISTINGS OF THE DUTCH SOCIAL SECURITY ACTS 1980–2006

## 2.1 UNEMPLOYMENT INSURANCE

Year	Measure	Direction	Scope
1980	<b>Act on Access to Insurance (Additional Categories of Persons)</b> (Wet uitbreiding en beperking kring verzekerden). Stb. 1980, 759 and Stb. 1984, 399. People abroad only right a benefit in certain defined situations. Also WAO.	-	Adj.
1981	<b>Act on Including the WSW Employees to the WW</b> (Wet Opneming in de Werkloosheidswet van Werknemers in de Zin van de Wet Sociale Werkvoorziening). 26 March 1981. Stb. 1981, 132. Sheltered Employment Act (WSW) employees (Wet Social Werkvoorziening) included in the insurance.	+	Adj.
	<b>Act on Changing the Conditions of Worked Days Required to Access the Benefit</b> (Wet Wijziging van het Aantal Dagen Werken, Vereist voor het Recht op Uitkering). 26 March 1981, Stb. 1981, 133. Employment record extended from 30 days of the last 6 weeks/65 days in last 12 months to 130 days in last 12 months for WWV and WW claimants.	-	Adj.
1982	<b>Act on Limiting the Revision of a Number of Social Insurance Laws and a Number of Benefits and Pensions by Virtue of Other Laws as of 1 January 1983</b> (Wet Beperking van de Herziening van een Aantal Sociale Verzekeringswetten en van een Aantal Uitkeringen en Pensionen Krachtens Enige Andere Wetten per 1 januari 1983). 29 December 1982, Stb. 1982, 749. Frozen the benefits for 1983.	-	Adj.
1983	<b>Act on Limiting the Right to the WWV Benefit for the Young Under 23</b> (Wet Beperking van het Recht op Uitkering Ingevolge de Wet Werkloosheidsvoorziening voor beneden 23-jarigen). 22 June 1983. Stb. 1983, 278. Right of WWV benefit restricted under the persons 23 years of age.	-	Adj.
	<b>Act on Limiting the Legal Minimum Wage, Child Allowances, a Number of Social Insurance Benefits and Some Other Benefits and Pensions as of 1 January and 1 July 1984</b> (Wet Houdend Beperking van het Wettelijk Minimumloon, Kinderbijslagen, een Aantal Sociale Verzekeringsuitkeringen en Enige Andere Uitkeringen en Pensionen per 1 januari en 1 juli 1984). 22 December 1983, Stb. 1983, 674. Benefits frozen for 1984.	-	Adj.
1984	<b>Act on Keeping from Revising the Minimum Wage, Benefits by Virtue of a Number of Social Insurance Laws and a Number of Benefits and Pensions by Virtue of Some Other Laws as of 1 January and 1 July 1985.</b> (Wet Houdende het Achterwege Laten van de Herziening van het Wettelijk Minimumloon, van de Uitkeringen Krachtens een Aantal Sociale Verzekeringswetten en van een Aantal Uitkeringen en Pensionen Krachtens Enige Andere Wetten per 1 januari en 1 juli 1985). 20 December 1985. Stb 1984, 652. Benefits frozen for 1985.	-	Adj.
	<b>Act on Increasing the Reduction of a Number of Social Security Benefits and Changing the Transitional Revision of Minimum Daily Wage Conditions</b> (Wet Verhoging Korting op een Aantal Sociale Zekerheidsuitkeringen en Wijziging Overgangsregeling Herziening Minimumdagloonbepaling). 28 June 1984, Stb 1984, 271. Most benefits cut by 2.4%.	-	Adj.
	<b>Act on Lowering the Benefit Percentages</b> (Wet Verlagng van Uitkeringspercentages). 19 December 1984, Stb 1984, 633. Benefits in both schemes lowered from 80% to 70% earned income.	-	Adj.
	<b>Act on Extending the Duration of the WWV for Workers aged 50 or Older</b> (Wet Verlenging van de Uitkeringsduur Ingevolge de Wet Werkloosheidsvoorziening voor Werknemers van 50 jaar en Ouder). 13 December 1984, Stb. 1984, 586. Claimants age 50 or more could claim WWV benefit longer.	+	Adj.

1985	<b>Act on Keeping the Limitation of the Legal Minimum Wage, Child Allowances, a Number of Social Insurance Benefits and Some Other Benefits and Pensions as of 1 January and 1 July 1986</b> (Wet tot het Achterwege Laten van de Herziening van het Wettelijk Minimumloon, van de Uitkeringen Krachtens een Aantal Uitkeringen en Pensionen Krachtens Enige Andere Wetten per 1 januari en 1 juli 1986). 19 December 1985, Stb. 1985, 704.																				
	Benefits frozen for 1986.	-	Adj.																		
	<b>Act on Introducing Equal Benefit Rights for Men and Women and Changing the Duration of Benefit</b> (Wet Invoering Gelijke Uitkeringsrechten voor Mannen en Vrouwen en Wijziging van de Duur van de Uitkering). 24 April 1984, Stb 1985, 230. Into effect 1. May 1984.																				
	The age of the claimant and the employment record was tighter bond to the WWV benefit periods.	-/+	Adj.																		
1986	<b>Unemployment Insurance Act , WW</b> (Werkloosheidswet 1986), Stb 1986, 566 .																				
	Concept of unemployed was redefined: <i>the employees must have lost at least five or the half of his working hours, he must have lost the right for salary payment of those hours, he must be available to accept a job (no description, CRvB defined this later).</i>	-	Adj.																		
	People in military service and married women (Reinsterted from Stb. 1985, 230) became insured in WW.	+	Adj.																		
	New benefit structure: basis, extension, and <b>follow-up</b> benefits.	-	Struct.																		
	Work record reset (from 130 days in 12 months to) must have worked at least 26 weeks during the 52 weeks prior to unemployment.	-/+	Adj.																		
	A possible for people with insufficient work history (e.g. carers & WAO recipients) to receive the WW.	+	Adj.																		
	Duration changed: <i>basic benefit</i> : half a year. The <i>extension</i> , depending the work history 3 month – 4,5 years.																				
	<table border="1"> <thead> <tr> <th>Work history</th> <th>Duration of the extension WW</th> </tr> </thead> <tbody> <tr> <td>At least 5 years</td> <td>3 months</td> </tr> <tr> <td>&gt; 10 years</td> <td>6 months</td> </tr> <tr> <td>&gt; 15 years</td> <td>1 year</td> </tr> <tr> <td>&gt; 20 years</td> <td>1,5 years</td> </tr> <tr> <td>&gt; 25 years</td> <td>2 years</td> </tr> <tr> <td>&gt; 30 years</td> <td>2,5 years</td> </tr> <tr> <td>&gt; 35 years</td> <td>3,5 years</td> </tr> <tr> <td>&gt; 40 years</td> <td>4,5 years</td> </tr> </tbody> </table>	Work history	Duration of the extension WW	At least 5 years	3 months	> 10 years	6 months	> 15 years	1 year	> 20 years	1,5 years	> 25 years	2 years	> 30 years	2,5 years	> 35 years	3,5 years	> 40 years	4,5 years	-/+	Adj.
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<i>Follow-up benefit</i> payable for workers over 57.5 paid longer (3.5 years).	+	Adj.																			
1991	<b>Act on Revising Work History Requirements</b> (Wet Herziening Arbeidsverledeneis). 26 June 1991, Stb. 1991, 338. In effect retroactively 1 January 1991.																				
	Employment history requirement specified: one year counted in the course of 5 years only if the person has worked 52 days during that year.	-	Adj.																		
	Possibility for some employee groups to have a shorter work history was abolished: except for certain carers and disabled.	+/-	Adj.																		
	<b>Conditional Linking Act , WKA</b> (Wet Koppeling met Afwijkingsmogelijkheid). 14 November 1991, Stb. 1991, 624. Into effect 29 November 1991.																				
	Daily wage WW revised and social security benefits linked to the changes in the minimum wage.	-	Adj..																		
	Benefits frozen between 1992–1994.	-	Adj.																		
	<b>Guaranteed Work for Youth Act, JWG</b> (Jeugdwerkgarantiewet). 15 May 1991, Stb. 1991, 250. Into effect 1 September 1991.																				
Activation program for the young up to the age of 27 introduced.	-	Adj.																			
Persons refused to take up a JWG job not entitled to WW payment.	-	Adj.																			

1992	<b>Guideline on Suitable Employment</b> (Richtlijn Passend Arbeid). 13 May 1992, Stcrt. 1992, 103.																						
	Definition of appropriate jobs in terms of nature of work; payment of it; duration of traveling.	-	Adj.																				
	Jobseeker allowed to search own level job (education/work experience) for a half a year: then, the level was lowered one stage (4 possible levels); person with highest education must after 2 years must accept everything.	-	Adj.																				
1993	<b>Changing Some Determinations of the Right to a Benefit</b> (Wijziging Enkele Bepalingen Inzake het Recht op Uitkering). 22 December 1993. Stb. 1993, 744.																						
	Eligibility requirements changed: persons claiming WW after being recently ill (and not satisfying the 26-out-of-52-week condition) now eligible.	-	Adj.																				
	Sanctions tightened of voluntary unemployment.	-	Adj.																				
1994	<b>Act on Tightening the Conditions of the WW</b> (Wet Aanscherping Referente-eisen WW). 22 December 1994, Stb. 1994, 955. Into effect 1 March 1995.																						
	Implementation of short-term benefit (a person qualifies the demand of weeks (26 weeks worked of the period of 39 weeks), but who does not qualify with the employment history (the 4-out-5-demand).	-	Adj.																				
	The entitlement conditions changed (from 26-out-of-52-weeks) to 26-out-of-39-weeks condition and (from 3-out-of-5 years) to 4-out-of-5-years.	-	Adj.																				
	Duration of wage-related benefit depended on the work history (varied from 6 months to 5 years).	<table border="1"> <thead> <tr> <th>Work history</th> <th>Duration of the extension WW</th> </tr> </thead> <tbody> <tr> <td>4 years</td> <td>6 months</td> </tr> <tr> <td>5-9 years</td> <td>9 months</td> </tr> <tr> <td>10-14 years</td> <td>1 year</td> </tr> <tr> <td>15-19 years</td> <td>1,5 years</td> </tr> <tr> <td>20-24 years</td> <td>2 years</td> </tr> <tr> <td>25-29 years</td> <td>2,5 years</td> </tr> <tr> <td>30-34 years</td> <td>3 years</td> </tr> <tr> <td>35-39 years</td> <td>4 years</td> </tr> <tr> <td>40 years or more</td> <td>5 years</td> </tr> </tbody> </table>	Work history	Duration of the extension WW	4 years	6 months	5-9 years	9 months	10-14 years	1 year	15-19 years	1,5 years	20-24 years	2 years	25-29 years	2,5 years	30-34 years	3 years	35-39 years	4 years	40 years or more	5 years	Adj.
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Extending the follow up benefit duration (from 1 to 2 years) of the unemployed who are younger than 57 and half.	+	Adj.																					
1995	<b>Decree on Suitable Employment for School-leavers and Academics</b> (Besluit Passend Arbeid Schoolverlaters en Academi). 1 December 1995, Stb. 1995, 604.																						
	School-leavers without work history must accept immediately all levels of work offers.	-	Adj.																				
	Academics must accept not only academic work (possible for 6 months as earlier) but also polytechnic level work.	+/-	Adj.																				
1996	<b>Law on Social Security Benefits (Fines and Recovery), BMTI</b> (Wet Boeten, Maatregelen en Terug- en Invordering Sociale Zekerheid). 25 April 1996, Stb. 1996, 248.																						
	An uniform policy of sanctioning for the social security benefits.	-	Adj.																				
	<b>Guideline on Suitable Employment</b> (Richtlijn Passend Arbeid). 19 March 1996, Stcrt. 1996, 60.																						
	Acceptance of lower level work did no longer label person as a lower worker in the future (except school-leavers).	+	Adj.																				
	Additional jobs regarded from now as suitable jobs.	-	Adj.																				
Three levels work (previously four) – person with highest education must after 1.5 years must accept everything.	-	Adj.																					

1997	<b>Act on Public Servants (cover under the Employee Insurance Schemes), OOW</b> (Wet Overheidspersoneel onder de Werknemersverzekeringen). 24 December 1997, Stb. 1997, 768.		
	Public employees included in the ZW and the WAO (and WW).	+	Adj.
	<b>Act on the Insertion of Jobseekers, WIW</b> (Wet Inschakeling Werkzoekende). 4 December 1997, Stb.1997, 760.		
	JWG, Labour pools, Melkert-jobs etc. activation programs incorporated into the WIW and the comprehensive approach slowly embed for all jobseekers.	-	Struct.
1998	<b>Act on Benefit Entitlement (Residence Status)</b> (Koppelingswet). 26 March 1998, Stb. 1998, 203. Into effect 1 July 1998.		
	People with permit to stay are entitled to the benefits.	-	Adj.
1999	<b>Act on Social Security Rights of the Prisoners, WSG</b> (Wet sociaalezekerheidsrechten gedetineerden). 22 December 1999, Stb. 1999, 595.		
	No benefit for prisoners after three months.	-	Adj.
	<b>Act on Benefit Restrictions (Foreign Residence), BEU</b> (Wet Beperking Export Uitkering). 27 May 1999, Stb. 1999, 250. Into effect 1 January 2000.		
	Export inside EU is permitted.	-	Adj.
	<b>Act on Experimenting on the WW</b> (Wet Experimenten WW). 8 July 1999, Stb. 1999, 307. In force 23 July 1999.		
A new start for the unemployed, who are unemployed less than a year.	-	Adj.	
2003	<b>Act on Abolition of the Follow-up Benefit</b> (Wet Afschaffing van de Vervoluitkering). 19 December 2003, Stb. 2003, 547.		
	Abolition of follow-up benefit.	-	Adj..
	<b>Social Agreement</b> (Sociale Accord). 15 October 2003, Stcrt. 2003, 199.		
	Related to the wage freeze, no increase in the minimum wage 2004–2005.	-	Adj.
	<b>Regulation on Exemption from Obligations under the WW</b> (Regeling Vrijstelling Verplichtingen WW). 4 December 2003, Stcrt. 2003, 241. Into effect 1 January 2004.		
	Abolition of the freeing the persons over 57.5 from the job search.	-	Adj.
2004	<b>Act on Work and Assistance</b> (Wet Werk en Bijstand). 9 October 2003, Stb. 2003, 375. Into effect January 1 2004.		
	Abolition of WIW and most other activation programs: municipalities responsible to organize activation to the needy.	-	Adj.
2004	<b>Act on Changing Work History Requirement to Actual Work History</b> (Wijziging van de Werkloosheidswet en de Wet Structuur Uitvoeringsorganisatie Werk en Inkomen in Verband met de Vervanging van Fictief Arbeidsverleden door Feitelijk Arbeidsverleden en de Beperking van het Verzorgingsforfait). 4 November 2004, Stb. 2004, 594. Into effect 1 January 2005.		
	Actual work history determines the duration of the WW.	-	Adj.
	The caring activities of children counted less (and even less in years to come).	-	Adj.
	<b>Act on Changing Certain Social Security Acts to Simplify</b> (Wijziging van Enkele Socialeverzekeringswetten en Enige Andere Wetten in Verband met het Aanbrengen van Enige Vereenvoudigingen). 23 December 2004, Stb. 2004, 728.		
Trial work was made possible for recipients of WW benefits.	+	Adj.	
2005	<b>Act on Altering the WW due to the Re-integration Instruments</b> (Wijziging onder meer WW Inzake Reintegratie-instrumenten). 16 Juli 2005, Stb. 2005, 382.		
	Recipients who take part in a re-integrative education programs to improve their chance on the labour market, may claim unemployment benefit until end of their training course, even though the ‘normal’ duration of unemployment benefit would be shorter.	+	Adj.



2006	<b>Act on Tightening the Work Record Condition of the WW</b> (Wijziging onder meer WW in Verband met Aanscherping Wekeneis). 30 March 2006, Stb. 2006, 167.		
	Tighter work record condition. 26-out-of-36.	-	Adj.
	Higher benefit for the first 2 months.	+	Adj.
	Shorter maximum duration.	-	Adj.
	Introduction of gatekeepers test (UWV).	-	Structr.

## 2.2 SICKNESS AND DISABILITY BENEFITS

Year	Measure	Direction	Scope
1983	<b>Act on Limiting the Revision of a Number of Social Insurance Laws and a Number of Benefits and Pensions by Virtue of Other Laws as of 1 January 1983</b> , Stb. 1982, 749.		
	Frozen the benefits for 1983.	-	Adj.
1984	<b>Act on Limiting the Legal Minimum Wage, Child Allowances, a Number of Social Insurance Benefits and Some Other Benefits and Pensions as of 1 January and 1 July 1984</b> , Stb. 1983, 674.		
	Benefits frozen for 1984.	-	Adj.
	<b>Act on Keeping from Revising the Minimum Wage, Benefits by Virtue of a Number of Social Insurance Laws and a Number of Benefits and Pensions by Virtue of Some Other Laws as of 1 January and 1 July 1985</b> . Stb. 1984, 652.		
	Benefits frozen for 1985.	-	Adj.
	<b>Act on Increasing the Reduction of a Number of Social Security Benefits and Changing the Transitional Revision of Minimum Daily Wage Conditions</b> , Stb. 1984, 271.		
	Most benefits cut by 2.4%.	-	Adj.
	<b>Act on Lowering the Benefit Percentages</b> (Wet Verlaging van Uitkeringspercentages). 19 December 1984, Stb. 1984, 633.		
Benefits in both schemes lowered from 80% to 70% earned income.	-	Adj.	
1985	<b>Act on Keeping the Limitation of the Legal Minimum Wage, Child Allowances, a Number of Social Insurance Benefits and Some Other Benefits and Pensions as of 1 January and 1 July 1986</b> , Stb. 1985, 704.		
	Benefits frozen for 1986.	-	Adj.
1986	<b>Act on Further Amendment of the General Disability Act and the Act on Disability Insurance</b> . 6 November 1986, Stb. 1986, 561.		
	Abolition of the provision prescribing compensation for the reduced labour.	-	Structr.
	<b>WAGW Act on Work for Disabled Workers</b> (wet Arbeid Gehandicapte Werknemers). 16 May 1986, Stb. 1986, 300.		
First major re-integration measure that offered a legal framework and imposed on employers and unions the responsibility to promote equal chances for disabled workers and to take measures that preserve, recover and promote the working capacities of disabled workers.	Na	Na	
1991	<b>Conditional Linking Act, WKA</b> (Wet Koppeling met Afwijkingsmogelijkheid). 14 November 1991, Stb. 1991, 624. Into effect 29 November 1991.		
	Daily wage WW revised and social security benefits linked to the changes in the minimum wage.	-	Adj.
	Benefits frozen between 1992–1994.	-	Adj.

1992	<b>Act on Reducing the Disability Volume, TVA</b> (Wet Terugdringing Arbeidsongeschiktheidsvolume). 28 February 1992, Stb. 1992, 82. Into effect 1 March 1992.		
	If the employees does not satisfy the inform obligation (mededelingsplicht), e.g. by relevance of income, the benefit can be withdrawn (totally or partially).	-	Adj.
	Change of WAO for students in re-training: The WAO benefit is not to be assessed until after one year finishing an education .	-	Adj.
	Possibility to temporary division of higher incapacity class (so called opstapje – stepping stone) abolished.	-	Adj.
	Employer must accept the suitable job offered by their employer (or other employer) – supported by sanctions.	-	Adj.
1993	<b>Act on Reducing Disability Claims, TBA</b> (Wet Terugdringing Beroep op de Arbeidsongeschiktheidsregelingen). 7 July 1993, Stb. 1993, 412. Into effect 1 August 1993.		
	Division of the WAO benefit into two parts: age-related (loondervingsuitkering) loss of income benefit and a follow-up benefit (vervolguitkering).	-	Struct.
	Age by establishing the right – duration. 58 or older – 6 years 53 or older – 3 years 48 or older – 2 years 43 or older – 1.5 years 38 or older – 1 year 33 or older – 0.5 years Under 33 – no right ( they receive the lower rate follow-up benefit from the start of the benefit right).	-	Adj.
	Sharpening the disabled criterium: 1) medical definition needed (the relationship between the impairment and the disability have to be objectively assessable). 2) assessment of benefit entitlement based on loss of earning capacity as a consequence of illness or physical defects. 3) previous education and work not viewed any more so strictly (basis of ‘generally accepted work’ broader concept which not related to education or to former employment). 4) age as criterion for assessing the level and duration of benefit.	-	Adj.
	Recipients younger than 45, are to be reassessed (by cohorts and ascending the age) in accordance with the new criteria:	-	Adj.
	People who 1.aug 93 were disabled and between 45 and 50, are to be reassessed (de regeling herbeoordeling 45–50-jarigen), for them is used the criteria before 1993.	-	Adj.
	<b>Law on Reducing Sickness Absence, TZ</b> (Wet Terugdringing Ziekteverzuim). 22 December 1993, Stb. 1993, 750. Into effect 1 January 1994.		
	employer’s responsibility for the first 2/6 weeks of sick pay.	0	Struct.
1994	<b>Tribunal Decree</b> ; operationalisation of disabled criteria in TBA (Schattingsbesluit). 5 August 1994, Stb. 1994, 596. Retroactively into effect 1 Augustus 1993.		
	Definition of establishing (generally accepted employment, with which the insured can earn most, is defined in the form of (at least) 3 different functions, from which he can earn the highest income).	-	Adj.
	Disability must be directly and medically defined as a consequence of a sickness or injury.	-	Adj.
1995	<b>Act Abolition of ‘Malus’ and Improvement of Reintegration, AMBER</b> (Wet Afschaffing Malus en Bevordering Reïntegratie). 2 November 1995, Stb. 1995, 560. In force 29 December 1995.		
	Abolition of malus (cf. 1992 TAV).	Na	Na
	More financial provisions for (re)employment of partly disabled persons.	+	Adj.

1996	<b>Continued Payment of Salary(Sickness)Act, WULBZ</b> (Wet Uitbreiding Loondoorbetalingsverplichting bij Ziekte). 8 February 1996, Stb. 1996, 134. Into effect 1 March 1996.		
	Practically abolished ZW (re- definition of eligibility).	0	Adj.
	Better provisions and benefit guarantees for disabled persons resuming work (including ‘work trial period’).	+	Adj.
	<b>Temporary Act on Limiting the Income Consequences of the Disability Criteria, WBIA</b> (Tijdelijke Wet Bepanking Inkomensgevolgen Arbeidsongeschiktheidscriteria). 7 February 1996, Stb. 1996, 93. Retroactively implemented till 1st January 1996; removed as of 1 December 2016.		
	Related to TBA (Stb 1993, 412), WBIA enacted that the consequences (for income loss either partial or total) due to the revision for older workers were alleviated.	+	Adj.
	<b>Law on Social Security Benefits (Fines and Recovery), BMTI</b> (Wet Boeten en Maatregelen en Terug- en Invordering Sociale Zekerheid). 25 April 1996, Stb. 1996, 248. Into force 1 August 1996.		
Obligatory sanctions for benefit recipients.	-	Adj.	
1997	<b>Act on Incapacity Insurance for Self-Employed Persons, WAZ</b> (Wet Arbeidsongeschiktheidsverzekering Zelfstandigen). 24 April, 1997, Stb. 1997, 176. In force in January 1998.		
	<b>Act on Incapacity Provision for Young Disabled Persons, WAJONG</b> (Wet Arbeidsongeschiktheidsvoorziening Jonggehandicapten). 24 April 1997, Stb. 1997, 177. In force in January 1998.		
	Abolition of AAW.	-	Structr.
	<b>Act on Public Servants (cover under the Employee Insurance Schemes), OOW</b> (Wet Overheidspersoneel onder de Werknemersverzekeringen). 24 December 1997, Stb 1997, 768.		
	Public employees included in the ZW and the WAO (and WW).	0	Adj.
	<b>Act on Medical Examinations, WMK</b> (Wet op de Medische Keuringen). 5 July 1997, Stb. 1997, 365.		
	The Act constricted certain medical examinations.	0	0
	Employees must be willing to participate actively to the necessary actions (planning, evaluation etc).	-	Adj.
1998	<b>Act on Premium Differentiation and Market Regulation PEMBA</b> (wet Premiedifferentiatie en Marktwerking bij Arbeidsongeschiktheidsverzekeringen). 24 April 1997, Stb. 1997, 175. Into effect 1 January 1998.		
	Financing of WAO changed (employers premiums which vary by companies). Employers has to carry the financial risk of incapacity themselves for the first 5 years.	Na	Na
	<b>Act on Benefit Entitlement (Residence Status )</b> (Koppelingswet). 26 March 1998, Stb. 1998, 203. Into effect 1 July 1998.		
People with permit to stay are entitled to the benefits.	-	Adj.	
1999	<b>Disability(Reintegration)Act REA</b> (Wet op de (Re)integratie Arbeidsgehandicapten. 23 April 1998, Stb. 1998, 290. Into effect 1 July 1998.		
	It contained several new incentives for employers and employees.	+	Adj.
1999	<b>Act on Social Security Rights of the Prisoners, WSG</b> (Wet Socialzekerheidsrechten Gedetineerden). 22 December 1999, Stb. 1999, 595.		
	No benefits for prisoners after three months.	-	Adj.
	<b>Benefit Restrictions (Foreign Residence) Act, BEU</b> (de Wet Bepanking Export Uitkering). 27 May 1999, Stb. 1999, 250. Into effect 1 January 2000.		
Export inside EU is permitted.	-	Adj.	
2001	<b>Law on improving the Gatekeeper, WVP</b> (Wet Verbetering Poortwachter). 29 November 2001, Stb. 2001, 628. Into effect 1 April 2002.		
	Reintegration report for the first year.	-	Adj.
	Employees not co-operating will be sanctioned.	-	Adj.
	<b>Act on Work and Care, WAZO</b> (Wet Arbeid en Zorg). 16 November 2001, Stb. 2001, 567. In effect 1 December 2001.		

2001	Pregnancy and childbirth periods do no longer count in the calculations of the 52 week waiting period for WAO.	-	Adj.
	<b>Decision on Reassessment</b> (Besluit Aanstellingskeuringen) 23. November 2001, Tightened the WMK of 1997	-	Adj.
2002	<b>Act Changing the Disability Provisions for Young Handicapped, Keeping the Improved Formulation of the Hardness Clause in the Case of Exporting the Right to a Disability Benefit to Abroad</b> (Wet tot Wijziging van de Wet Arbeidsongeschiktheidsvoorziening Jonggehandicapten, Houdende een Verbeterde Formulering van de Hardheidsclausule Inzake de Export van het Recht op Arbeidsongeschiktheidsuitkering naar het Buitenland, into effect 1 September 2002). 13 July 2002, Stb. 2002, 395.		
	Wajong-recipients right to export benefit defined.	+	Adj.
2003	<b>Act Extending the Wage Payment Obligation, VVLZ 2003</b> (Wet Verlenging Loondoorbetalingsverplichting bij Ziekte). 19 December 2003, Stb. 2003, 555.		
	Waiting period to WAO extended to from 52 weeks to 104 weeks.	+	Adj.
	<b>Social Agreement</b> (Sociaal Akkoord). 15 October 2003, Stcrt. 2003, 199. Related to the wage freeze, no increase in the minimum wage: increase in the minimum wage 2004–2005.	-	Adj.
2004	<b>Act Abolition of the WAZ</b> (Wet Einde Toegang Verzekering WAZ). 6 July 2004, Stb 2004, 324.		
	Abolished the WAZ.	-	Adj.
	<b>Tribunal Decree</b> (Schattingsbesluit). New re-assessment for WAOers with tighter conditions.	-	Adj.
2005	<b>Act on Altering the WW due to the Re-integration Instruments</b> (Wijziging onder meer WW Inzake Reintegratie-instrumenten). 16 July 2005, Stb. 2005, 382.		
	Recipients who take part in a re-integrative education programs to improve their chance on the labour market, may claim unemployment benefit until end of their training course, even though the ‘normal’ duration of unemployment benefit would be shorter.	+	Adj.
	<b>Act on Work and Income According to Work Capacity</b> (Wet Werk en Inkomen naar Arbeidsvermogen WIA). 10 November 2005, Stb. 2005, 572.		
	Introduction of the IVA for fully and enduringly incapacitated with at least 80 per cent loss of income (Regeling Inkomensvoorziening Volledig Arbeidsongeschikten) .	0	Adj.
	Level of IVA raised to 75.	+	Adj.
	WGA for partially disabled with between 35 and 80 per cent loss of income (Gedeeltelijk Regeling Werkhervatting Gedeeltelijk Arbeidsgeschikten).	-	Structr.

### 2.3 SOCIAL ASSISTANCE BENEFITS

Year	Measure	Direction	Scope
1981	<b>Regulation</b> , Stcrt 1981, 182.		
	Waiting period of one and half years was introduced for the school-leavers under twenty-one.	-	Adj.
1982	<b>Act</b> , Stb. 29 December 1982, Stb. 1982, 750.		
	16 and 17 were disqualified from benefit.	-	Adj.
1984	<b>Act/regulation</b> , 13 December 1984, Stb. 1984, 626, Art 5.3.		
	RWW conditions for work relaxed: one can be required to be available for at least 20 hours a week (under the previous rules this was full-time), possibility of working unremunerated activities improved, rules on attending training were improved for persons over 21 whose training is necessary.	+	Adj.

1986	<b>Law on Income for Older and Partially Incapacitated unemployed Persons, the IOAW</b> (de Wet Inkomensvoorziening Oudere en Gedeeltelijk Arbeidsongeschikte Werkeloze Werknemers). 6 November 1986, Stb. 1987, 565. Into effect 1 January 1987.		
	New IOAW benefit introduced.	+	Structr.
	<b>Supplements Act</b> (Toeslagenwet TW) Stb. 1986, 562. 6 November, into effect 1 January 1987.		
	Replaced the loss of income laws (loondervingswetten) minimum income laws; filled the very low benefit into the level of social minimum. For TW are entitled only the persons that are compelled insured for WW, ZW, WAZ, WAO en some others).	Na	Na
	Since 1990, amendment of TW (was however already set in 1986): a married person whose partners is born after 31 December 1971 has no right to supplement, if there is not a (own, adopted etc) child under 12 years in the household.	-	Adj.
	<b>Act of 6 November 1986</b> , Stb. 1986, 564. The system revision of 1987, KB van June 1987, JABW 1987/354.		
	Married and unmarried household made equal.	+	Adj.
	Joint household replaced the economic household (recognized also homosexual couples).	+	Adj.
1991	<b>Conditional Linking Act, WKA</b> (Wet Koppeling met Afwijkingsmogelijkheid). 14 November 1991, Stb. 1991, 624. Into force 29 November 1991.		
	Benefits frozen between 1992–1994.	-	Adj.
1995	<b>General Public Assistance Law, the Abw</b> (Algeme Bijstandswet), 12 April 1995, Stb. 1995, 199. Into effect 1 January 1996.		
	Three benefit norms for those of 21 years or older: 1) all single people get 50% of the level of minimum wage, 2) all single parents get 70%, 3) all couples get 100%.	-	Adj.
	Single people and parents can apply for a 20% supplement in which case they have to prove that the basic norm is too low for their special circumstances.	+	Adj.
	People younger than 21 can only claim in exceptional cases. If in need, they have to accept a job within the Youth Work Guarentee Schemes.	-	Adj.
	A person of 18, 19 or 21 of age might be entitled to benefit that is related to the level if child allowance.	-	Adj.
	Every claimant has the duty to find work. Only exception being those older than 57.5 years and single parents under five (before a difference between clients with and without obligation to look for work, the latter comprised clients with social or medical restrictions e.g. single parents with children under 12).	-	Structr.
	Standard of suitable work broadened: clients are expected to accept jobs under their education level and former job level.	-	Adj.
	For each client with a reasonable chance on the labor market, the administration has to design and implement an individual plan for (re)insertion into the labor market (with closer co-operation with the district labor office). As of 1998.	-	Adj.
	The newly graduated under 27 may receive reduced basic allowance for 6 months after the graduation.	-	Adj.
	The municipalities can also pay 22 year old or younger the reduced basic allowance, if they consider that the full basic allowance would cause a disincentive for job search of the young concerned.	-	Adj.
	1996	<b>Law on Penalties and Measures, the BMTI</b> (Wet Boeten, Maatregelen en Terug- en Invordering Sociale Zekerheid). 25 April 1996, Stb. 1996, 248.	
More possibilities to control the use of assistance.		-	Adj.

1998	<b>Benefit Entitlement (Residence Status) Act (Koppelingswet).</b> 26 March 1998, Stb. 1998, 203. Into effect 1 July 1998.		
	Right tied to legal permit to stay.	-	Adj.
1999	<b>Social Security Rights for the Prisoners Act, the WSG</b> (de Wet Socialzekerheidsrechten Gedetineerden). 22 December 1999, Stb. 1999, 595.		
	Persons sentenced to prison lose their right to social security after one month serving their sentence.	-	Adj.
	<b>Benefit Restrictions (Foreign Residence) Act, BEU</b> (de Wet Beperking Export Uitkering). 27 May 1999, Stb. 1999, 250. Into effect 1 January 2000.		
	Valid also for AKW, ZW, AOW, WAO, <b>TW</b> , benefit export valid only with EU or with countries with bilateral agreement with the NL.	-	Adj.
2000	<b>Foreigner's Act (Vreemdelingenwet)</b> Stb. 2000, 495.		
	Related to Koppelingswet, this Act simplified the system of permit to stay and amended the Abw in terms of these topics.	-	Adj.
2003	<b>Law Work and Assistance, the WWB</b> (Wet Werk en Bijstand). 9 October 2003, Stb. 375. Into effect 1 January 2004.		
	Benefits stay the same (€543 for singles and €1086 for cohabiting and married couples).	<b>0</b>	<b>0</b>
	Stricter requirements for the claimants.	-	Adj.
	De bijzondere bijstand abolished. Extra supplements, e.g. book allowance for the social assistance receiving families with school-aged children, abolished. Right to special support is defined by each individual separately.	-	Adj.
	Everybody till the age of 65 must search for work. Earlier e.g. single parents with children under 5 and people over 57.5 did not have to search for work.	-	Adj.
	Long-term supplement introduced for the long-term clients.	+	Structr.

References:

Staatsblad voor het Koninkrijk der Nederlanden 1989–2006.  
 Staatscourant 1980–2006.

### Appendix 3: Finland

This appendix presents the full list of the benefit reforms used in the Chapter 5. First, however, a detailed clarification is given of the sources used the present study. Second, Act altering social security benefit recipients' rights are listed chronologically

#### 1 REFERENCES ON REFORMS IN LEGISLATIONS IN FINLAND

The Finnish Acts are documented as paper print copies in books called *Parliamentary Documents* (Valtiopäiväkirjat). Since 1990 the Acts can also be found in the government's website (<http://www.eduskunta.fi>, Hallituksen Esitys). Furthermore, the *Finlex data bank* (<http://www.finlex.fi/fi>) is very useful source of information. It contains consolidated texts of Acts and Decrees in (Finnish and in Swedish and partially also in Sámi language). The Finlex reference database of legislation includes a list of changes made on any Act or Decree, which is very useful when wanting the view all the legislative changes enacted towards a certain contingency. Interesting for non-Finnish speaking researchers is that Finlex includes also approximately 300 full-text translations of Finnish Acts of Parliament (mostly in English, but some also in German, French or Spanish). However, very few of social security bills have been translated.

Moreover, the necessary data for the unemployment benefit, the disability benefit and the National old age pension can be found from the Statistical yearbook of the Social Insurance Institution of Finland, *Kansaneläkelaitoksen tilastollinen vuosikirja*. The alteration for state provided social insurances schemes (sickness benefits, National pensions since the 1960s, the unemployment benefit since 1985) are marked annually in the end of each yearbook, which is a helpful tool for cross-checking the findings from primary legislations. The reforms of subsistence benefits, in Finland, only social assistance, must be traced back to Parliamentary documents and Finlex. The statistical Yearbook provide also a detailed description of the benefit rights in 1980 (1985 for unemployment benefit), where as the website of social insurance institution provides the necessary information for those details for 2006. This 1980's information for social assistance must be derived from the Acts. For 2006, web sources are available at the site of Ministry of Social Affairs. Furthermore, as secondary sources the work done by Finnish National experts, for instance, by Kangas (1991; 2002), Kuivalainen (2004), Heikkilä and Uusitalo (1997), Julkunen (2001; 2006) and so worth, were used.

2 CHRONOLOGICAL LISTINGS OF THE FINNISH SOCIAL SECURITY ACTS 1980–2006  
 2.1 UNEMPLOYMENT (INSURANCE) BENEFITS

Year	Measure	Direction	Scope
1984	<b>Unemployment Provision Act</b> (Työttömyysturvalaki) 602/1984, HE 38/1984, 24.8.1984/602. Into effect 1.1.1985.		
	The full rate of Basic UB FIM 70 per day, child supplements: for one child under 18 FIM 15, for two children FIM 22, and for three or more children, FIM 28.	+	Adj.
	Earnings-disregard rose from FIM 3,000 to FIM 3,500.	+	Adj.
	Full-time student has no right to benefit.	-	Adj.
	Raising the age limit to (16 to 17).	-	Adj.
	Responsibility to be available to find and accept work was widened: however, milder conditions to the unemployed with families.	-	Adj.
	More stringent sanctions rules.	-	Adj.
	The means-test of the Basic UB does not count the basic benefit of child home care allowance nor the sibling supplements (re-enacted in <b>Act on Changing Unemployment Act</b> / Laki työttömyysturvalain muuttamisesta 11.1.1985/34. Into effect 1.2.1985, but was applied as of 1.1.1985).	+	Adj.
	<b>Decree on Definition of the Salary as a Ground to Earnings-related Unemployment Benefit</b> (Asetus ansioon suhteutetun työttömyyspäivärahan perusteena olevan palkan määrittämisestä) 9.11.1984/754 into effect 1.1.1985.		
	The earnings-related UB raised significantly.	+	Adj.
	The earnings-related UB was reduced by 20% after 100 day of benefit receipt.	-	Adj.
	1986	Decree 862/1984.	
Family could refuse to move if they had a tenable personal reason for that (for instance, an own house, spouse’s work, caring responsibilities, children’s schooling and such matter that bind the claimant to a certain living area).		+	Adj.
<b>Decree on Raising the Unemployment Benefits</b> (Asetus työttömyysturvaetuuksien korottamisesta) 6.6.1986/430. Into effect 1.7.1986.			
	The earnings-disregards of the claimants’ with families were raised to FIM 3,770. The disregard was raised for every child per FIM 320. The earnings-disregard for additional work or part-time income was raised to FIM 430. Basic UB raised to FIM 75 per day. Child supplements were raised: for one child FIM 16, for two children FIM 24 and for three or more children FIM 30 per day.	+	Adj.
1987	<b>Act on Changing the Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 27.2.1987/226. Into effect 1.4.1987.		
	A right to UB denied for those who receive early retirement benefit or individual early retirement pension, nor those receiving supplements for child home care allowances.	0	Adj.
	No new waiting period for those becoming again unemployed within 14 days of ending the previous UB receipt.	+	Adj.
	No need for financial support is expected from people older than 55, who satisfies the work conditions as laid down in the Section 16 § 2–5 clauses.	+	Adj.
	Means-test was smoothened so that the partners’ income is taken account only after it exceeds FIM 200 per month and claimants with family’s income disregard was raised to FIM 430 for every child under the age of 18.	+	Adj.



1987	Means-test will ignore following allowances: annuity and supplementary annuity under the Military Injuries Act, compensations for special costs under the Employment Accidents Insurance Act and the Military Injuries Act, front-veterans pensions, family pension's supplementary part and Social assistance benefits under the <b>Social Assistance Act</b> (710/1982).	+	Adj.
	Access conditions for Adjusted UB tightened.	-	Adj.
	The 75 day full rate of Adjusted B was prolonged to 100 days.	+	Adj.
	The earnings-related UB was reduced 12.5% after 200 day of benefit receipt.	+	Adj.
	<b>Decree on Raising Unemployment Benefits</b> (Asetus eräiden työttömyysturvaetuuksien korottamisesta) 6.3.1987/256. Into effect 1.4.1987.		
1987	Basic UB raised to FIM 81 per day, the earnings-disregards of the claimants' with families were raised to FIM 4,030, for singles to FIM 2,690. The disregard was raised for every child under 18 by FIM 460, Spouse's income in means-test in considered if it exceed FIM 220 per month, the earnings-disregard for additional and part-time work was raised to FIM 460, child supplements were raised: for one child FIM 17, for two children FIM 25 and for three or more children FIM 32 per day.	+	Adj.
	<b>Unemployment Act</b> (Työllisyyslaki) 13.3.1987/275.		
	Obligations to the municipalities find work for long-term unemployed and the young (and them to co-operate).	-	Adj.
1988	<b>Decree on Raising Unemployment Benefits</b> (Asetus työttömyysturvaetuuksien korottamisesta) 3.6.1988/485. Into effect 1.7.1988.		
	Basic UB raised to FIM 86 per day. Child supplements were raised: for one child FIM 18, for two children FIM 27 and for three or more children FIM 33 per day, the earnings-disregards of the claimants' with families were raised to FIM 4,310, for singles to FIM 2,880. The disregard was raised for every child under 18 by FIM 490, spouse's income in means-test in considered if it exceed FIM 230 per month, the earnings-disregard for additional and part-time work was raised to FIM 490.	+	Adj.
1989	<b>Act on Changing the Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 20.1.1989/69. Into effect 1.7.1989.		
	Improved the reconciliation of UB and sickness benefit: UB receipt does not end due to the sickness, until the sickness benefit is being paid.	+	Adj.
	Improved the unemployment protection of long-term unemployed.	+	Adj.
	The reduction of earnings-related UB after a certain time on benefit were (1985 and 1987) abolished.	+	Adj.
	<b>Decree on Raising Unemployment Benefits</b> (Asetus työttömyysturvaetuuksien korottamisesta) 2.6.1989/516. Into effect 1.7.1989.		
1989	Basic UB raised to FIM 95 per day. Child supplements were raised: for one child FIM 20, for two children FIM 30 and for three or more children FIM 36 per day. The earnings-disregards of the claimants' with families were raised to FIM 4,760, for singles to FIM 3,180. The disregard was raised for every child under 18 by FIM 540. Spouse's income in means-test in considered if it exceed FIM 260 per month.	+	Adj.
	<b>Act on Changing the Section 22 of the Unemployment Act</b> (Laki työttömyysturvalain 22 §:n muuttamisesta) 15.6.1990/535. Into effect 1.7.1990.		
1990	Basic UB raised to FIM 97 per day.	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 28.12.1990/1365. Into effect 1991.		

1990	Basic UB raised to FIM 108 per day. Child supplements raised: A rate for one child was FIM 22, for two children 32, and for third or more children FIM 41. Partners' income exceeding FIM 280 a month was taken in to the means test. The part-time work's income limit was raised to FIM 700.	+	Adj.
	The maximum duration of earnings-related benefit for elderly up to 60 years (extra days).	+	Adj.
1991	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 1367/1990, into effect 1.1.1991.		
	Stricter conditions set when person can refuse a job or quit.	-	Adj.
	<b>Act on Changing the Section 5 of the Unemployment Act</b> (Laki työttömyysturvalain 5 §:n muuttamisesta) 27.3.1991/620. Into effect 1.10.1991. <b>Rehabilitation Allowance Act</b> (Kuntoutusrahalaki) 611/1991, into effect 1.10.1991.		
	People receiving Rehabilitation Allowance or earnings-related compensation during a rehabilitation period is not eligible to UB.	0	Adj.
	<b>Decree on Raising Unemployment Benefit</b> (Asetus työttömyystuveluauksien korottamisesta) 897/1991. Into effect 1.7.1991.		
	Reconciliation of the salary and benefit for person's whose working hours have been reduced (to part-time workers): FIM 750, reconciliation percentage 75. HE 237/1993.	-	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 30.12.1991/1692. Into effect 1.1.1992.		
	Primary and secondary school students are regarded as full-time students until the end of semester.	-	Adj.
	<b>Act on Changing the Section of 23 of the Unemployment Act</b> (Laki työttömyysturvalain 23 §:n muuttamisesta) 1694/1991, into effect 1.1.1992.		
	The earnings-related amount of UB reduced from 45 per cent to 42 per cent as of 1.7.1992.	-	Adj.
1992	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 3012.1992/1652. Into effect 1.1.1993.		
	The waiting period for the first time entrants to the labour market was extended from 6 weeks to 3 months.	-	Adj.
	Care Allowance as referred to in the National Pensions Act, Disability Allowance under the Act on Disability Allowance NOT reduced from the full-rate of Unemployment Benefit.	+	Adj.
1993	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 12.7.1993/665. Into effect 1.9.1993.		
	Sanction periods extended from 6 weeks to 8 weeks.	-	Adj.
	Tightening the right for people over 50 to turn down a job offer or training.	-	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 1537/1993.		
	Adjusted UB rose to 80%. Also benefit was not paid longer than 24 months, even though the maximum of 150 days would not be satisfied.	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 30.12.1993/1541. Into effect 1.1.1994.		
	Work conditions (6 months) and maximum duration of 500 days also implemented for Basic UB.	-	Structr.
	Possibility for claimants older than 55 to receive the benefit to the month during which they turned 60 years of age.	+	Adj.
Abolition of means-test Basic UB.	+	Structr	
<b>Act on Labour Market Assistance</b> (Laki työmarkkinatuesta) 30.12.1993/1542, into effect 1.1.1994.			
<b>Decree of Labour Market Assistance</b> (Asetus työmarkkinatuesta) 1680/1993, into effect 1.1.1994, more detailed regulation about the implementation.			

1993	Labour market subsidy introduced.	-	Structr
	Claimants with dependant could earn 5,540 a month and income exceeding was cut by 75%. The income limit was raised by FIM 630 per every child under 18. A single person could earn two thirds of the income of claimants with dependent and also their income exceeding this limit was cut by 75%.	+	Adj.
	People living with their parents receive 60% of the full rate of the benefit	-	Adj.
	No means-test during the participation to labour market measures, for people over 55 and satisfying the work condition, for people expiring their earnings-related benefit (but only for the first 180 days).	+	Adj.
	Waiting days for the labour market entrants without vocational education for 4 months.	-	Adj.
1994	<b>Act on Exceptional Change of Unemployment Act</b> (Laki työllisyysturvalain poikkeuksellisesta muuttamisesta) 1212/1994 valid 1995.		
	Special Act increased the benefits: benefits from FIM 116 to 118, and child supplements: 24, 35 and 45 a day.	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 22.12.1994/1317. <b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 22.12.1994/1320. Into effect 1.1.1995.		
	Full-time self-employed eligible to Basic UB and Training Benefit if satisfying the condition for them (2 years of labour in the last 4 years).	+	Adj.
	Working record from other ETA countries can be accepted as part of the employment condition, but only after the person has worked in Finland at least 4 weeks.	+	Adj.
1995	<b>Act on Changing the Section 27a of the Unemployment Act</b> (Laki työttömyysturvalain 27a §:n muuttamisesta) 357/1995, into effect 1.11.1995 (re-enacted in <b>Act on Changing the Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 1131/1996, into effect 1.8.1996).		
	The supplementary part of National Pension (kansaneläkkeen lisäosa) and Child Home Care Allowance's reducing the amount of Labour Market Assistance.	-	Adj.
	<b>Act on Exceptional Application of the Section 25 of the Unemployment Act</b> (Laki työttömyysturvalain 25 §:n poikkeuksellisesta soveltamisesta). 21.8.1995/1060. Into effect 1.9.1995 and is valid until the end of 1996.		
	No adjustments to the benefit levels during the September 1995 and December 1996.	-	Adj.
	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 22.12.1995/1705. Into effect 1.1.1996.		
	Limiting the right for 18–19-year-old Labour Market Assistance: young with vocational education right to subsidy only during the participation to labour market policy measures (training, work experience).	-	Adj.
	18–19-year-olds no right to subsidy if he refuses the offered jobs, resigns, drops out the education or refuses to apply to a vocational training.	-	Adj.
	The child supplement reduced to 40% of child supplements of UB.	-	Adj.
	The Labour Market Assistance recipients can claim for Daily Allowance (ylläpitokorvaus) of FIM 30 per day and Accommodation Allowance (majoituskorvaus) FIM 30 a day during the participation to Active Labour Policy Measures.	+	Adj.
1996	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 6.9.1996/665. Into effect 1.1.1997.		
	Age limit of 18–19 was extended to 18–24 year olds *ref. 1995/1705.	-	Adj.
	Claimants with dependants could earn FIM 5,040 a month and any income exceeding this would be cut by 50 per cent. The claimants could thus earn less now. The additional earnings-disregard for families with children remained to FIM 630 per child.	+	Adj.

1996	A single person's income disregard was lowered to 1,500 (the percentage remained the same).	-	Adj.
	Always a new waiting day period (5 days) when moving from UB to Labour Market Assistance.	-	Adj.
	The labour market entrants waiting period extended from 4 to 5 months.	-	Adj.
	<b>Act on Changing Unemployment Act and Temporary Changes</b> (Laki työttömyysturvalain muuttamisesta ja väliaikaisesta muuttamisesta) 6.9.1996/666. Into effect 1.1.1997, temporary changes valid until 1.12.1998 or 31.12.1997.		
	Work condition extended from 6 months (26 weeks) to 10 months (43 weeks) (one must have worked at least 18 hours per week, the wage must have been according to the collective agreements or at least the daily wage multiplied by 40 Also the review period was extended from 8 months to 24 months.	-	Adj.
	The FIM 750 earnings-disregard limit was abolished from the Adjusted UB and the conciliation percentage was lowered from 80% to 50%. As of then, the rate of benefit consults all work income, of which 50% reduces it.	-	Adj.
	Person over 57 (earlier 55) prior to expiration of the 500 days of maximum duration get an extension till the end of the month he is becoming 60.	-	Adj.
	Waiting period was extended from 5 days to 7 days.	-	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 20.12.1996/1131. <b>Act on Changing the Section 24 of the Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain 24 §:n muuttamisesta). 20.12.1996/1132. Into effect 1.8.1997.		
	Claimants (or their partners) Basic UB or Labour Market Assistance reduced by the receipt amount of Child Home Care Allowance (already in 1995). This reduction is not done, if the partner cares self for the child and therefore is not entitled to a basic benefit or Labour Market Assistance.	-	Adj.
1997	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 11.7.1997/681. Into effect 1.8.1997.		
	The period the recipient is participating on an active labour market measure, does not reduce the 180 days, when person is entitled to Labour Market Assistance without means-test.	+	Adj.
	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 30.12.1997/1354. Into effect 1.1.1998.		
	Unemployed whose benefit receipt has expired (after 500 days) can be paid Daily Allowance (ylläpitokorvaus) during the job experience period.	+	Adj.
	A new job search plan for those having their 500 maximum receipt expired.	-	Adj.
	<b>Act on Changing Unemployment Act and Temporary Changing of the Act</b> (Laki työttömyysturvalain muuttamisesta ja väliaikaisesta muuttamisesta) 30.12.1997/1401. Into effect 1.1.1998, conciliated benefit holds until 31.12.1998.		
	The sanction periods extended (3 weeks to 1 month, 6 weeks to 2 months and 8 weeks to 3 months). Also the work condition was extended from 8 weeks to 3 months.	-	Adj.
	The Basic UB and Labour Market Assistance rates were raised by FIM 2 per day.	+	Adj.
	The Basic UB and Labour Market Assistance, and the child supplements rates will be readjusted yearly corresponding to the changes in cost-of-living-index.	+	Adj.
	1999	<b>Act on Changing the Section 24 of the Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain 24 §:n muuttamisesta) 3.12.1999/1131. Into effect 1.9.2000.	
The means-test in Labour Market Assistance is moderated in respect to spouse's income. The rate was increased from 300 to FIM 1,400 per month.		+	Adj.
<b>Act on Integration of Immigrants and Asylum Seekers</b> (Laki maahanmuuttajien kotouttamisesta ja turvapaikanhakijoiden vastaanotosta) 1999/493. Into effect 1.5.1999.			

1999	Immigrants entitled to Labour Market Assistance only for the first three years after entering Finland. This benefit called as an integration allowance (kotouttamistuki).	0	Adj.
2000	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 1089/2000. Into effect 1.1.2001.		
	Labour Market Assistance paid as Travelling Assistance (matka-avustus).	0	Adj.
2001	<b>Act on Changing the Section 4a of the Unemployment Act</b> (Laki työttömyysturvalain 4a muuttamisesta) <b>194/2001</b> . Into effect by a Decree.		
	Person eligible to UB while on rehabilitative work activity (189/2001).	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) <b>636/2001</b> , into effect 1.1.2002.		
	Benefit €21.40 a day. Child increases €4.21, €6.18, and €7.97.	+	Adj.
	<b>Act on Changing the Section 10 of the Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain 10 §:n muuttamisesta) 16.11.2001/994. Into effect 1.1.2002.		
	Daily allowance raised from €5.05 to €7 a day. Also a higher rate of Daily Allowance (€14 a day) made payable for claimants participating in a training outside of their job search area.	+	Adj.
	<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 23.11.2001/1062. Into effect 1.1.2002.		
	Child supplements under Labour Market Assistance are raised to the level of child supplements under Basic UB.	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 21.12.2001/1397. Into effect 1.3.2002.		
	Basic UB raised to €22.22 a day. Also raised following benefits: Labour Market Assistance, Training Allowance (koulutustuki), Training Daily Allowance (koulutuspäiväraha), (vuorottelukorvaus) and Earnings-related UB (ansiopäivärahan perusosa).	+	Adj.
	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 21.12.2001/1430.		
An individual work search plan: act earlier (Työvoimapalvelulaki 1005/1993) has enacted a right to jobseeker to make a plan for job search with the unemployment agency after 5 months of unemployment. Now more emphasis on taylor-made plan.	-	Adj.	
<b>Act on Changing Labour Market Assistance</b> (Laki työmarkkinatuesta annetun lain muuttamisesta) 21.12.2001/1431. Into effect 1.1.2002.			
Work Experience program (työharjoittelu) for the young under 25 without vocational training. For older than 25, a new form of activation was invented: working life coaching (työelämän valmennus).	+	Adj.	
<b>Act on Rehabilitative Work Activity</b> (Laki kuntouttavasta työtoiminnasta) 189/2001.			
A stricter activation plan implemented.	-	Adj.	
Person under 25 refusing rehabilitative work active, gets his benefit reduced (sanction).	-	Adj.	
2002	<b>Act on Changing the Section 13 of the Unemployment Act</b> (Laki työttömyysturvalain 13 §:n muuttamisesta) 22.2.2002/137. Into effect 1.3.2002.		
	Employment condition changed: half of the work conducted with the help of Combination Benefit (yhdistelmätki), could be calculated to the work record conditions (prior only one-third).	+	Adj.
2003	<b>Unemployment Benefit Act</b> (Työttömyysturvalaki) 30.12.2002/1290, Into effect 1.1.2003.		
	Work condition for workers is either 34 or 43 weeks depending, if person has received earlier unemployment benefit or not.	-/+	Adj.
	A person living with his parents; Labour Market Assistance amount depended on his parents' income (in any case at least his benefit is maximum of 50% of the normal amount).	-	Adj.

2003	Extra days rules altered as of 2009. Person born prior to year 1950, maintain the right (age limit remained in 57), but person born after this must be 59 before the expiration of the maximum duration (500) on benefit, and they must have worked at least 5 years during the last 20 years.	-	Adj.
	A right to Labour Market Assistance widened for those participate in activation measures although they otherwise would be ineligible.	+	Adj.
	<b>Act on Changing the Section 8 of the Unemployment Act</b> (Laki työttömyysturvalain 7 luvun 8 §:n muuttamisesta) 926/2003. Into effect 1.1.2004, HE 45/2003.		
	Daily allowance raised to €8 for days participating in a rehabilitative work activity; increased maintenance benefit (korotettu tuki) raised from €14 to €16 a day.	+	Adj.
	<b>Act on Changing the Section 3 of the Unemployment Act</b> (Laki työttömyysturvalain 9 luvun 3 §:n muuttamisesta) 1009/2003. 5.12.2003 HE 69/2003.		
Means test views claimants' own income and his spouse income exceeding (from €236 to) €536 (Labour Market Assistance).	+	Adj.	
2004	<b>Act on Changing the Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 1330/2004. HE 223/2004.		
	As of 1.1.2005, 65–67 right to unemployment if working (ref. new flexible pension age).	0	Adj.
2005	<b>Act on Changing Unemployment Act</b> (Laki työttömyysturvalain muuttamisesta) 459/2005. HE 48/2005.		
	Increase (€4 a day) to Basic UB for those satisfying the work condition and who has lost the job due to the production reasons and who has at least 20 years work history. The increase payable for maximum of 150 days, if participating in training, during the training period.	+	Adj.
	Employment program supplement (työllistymisohjelmallisä) payable €4 a day for those lost the job due to production reasons, and with at least 3 years' work record, or who have has a temporary work contract for the last 3 years, or have worked in temporary work contract for one employer at least the last 36 months (of 42 months). Payable for maximum of 185 days.	+	Adj.
	<b>Employment Pension Reform</b> (Työeläkeuudistus) 2005 HE 242/2002.		
	The minimum qualifying age for old age pensions is made flexible so that it is now possible to retire between the ages of 62 and 68 years. With a view to postponing retirement, the pension accrual rate will be raised according to age: for 18–52-year-olds, the pension accrual is 1.5% of their earnings per year, for 53–62-year-olds 1.9% and for 63–68-year-olds 4.5%.	Na	Na
	Affecting UB and sickness benefits, age limit raised from 65 to 67 years. Due to the reform is that the age limit for Early Retirement scheme (varhennettu vanhuuseläke) is raised to 62 (from 60) and the right to Unemployment Pensions is abolished for those born in 1950 or later.	+	Adj.
	<b>Society Guarantee</b> (Yhteiskuntatakuu) 2005.		
	The right of a person drawing labour market support for at least 500 days is abolished, if the recipient of the support refuses from work, resigns from it or for a reason of his own is given notice from his work or from such an employment measure which entitles him to labour market support and maintenance allowance.	-	Structr.
<b>Act on Pension Assistance</b> (Laki eräiden pitkäaikaisesti työttöminä olleiden henkilöiden eläketuesta) 39/2005, HE 183/2004.			
Pension Assistance is payable for persons born in 1941–1947 and living in Finland, who between 1 January 1992 and 31 December 2004, received unemployment benefits for at least 2,000 days. Eligibility for pension assistance continues until the end of the month in which the unemployed person reaches the age of 62.	0	Adj.	

2006	<b>Act on Changing the Sections 2 and 7 of the Unemployment Act</b> (Laki työttömyysturvalain 2 luvun 20 §:n ja 7 luvun 5 §:n muuttamisesta) 548/2006. HE 45/2006.		
	The claimants are expected to follow work search plan immediately after it is done.	-	Adj.

## 2.2 SICKNESS AND DISABILITY BENEFIT REFORMS

Year	Measure	Direction	Scope
1981	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 471/1981, into effect 1.1.1982 (new sickness daily benefit and maternity benefit schemes).		
	Earnings-related daily allowance was raised to 80% of previous daily wage and minimum sickness benefit FIM 27.50.	+	Adj.
	Sickness benefit was subjected to tax.	-	Adj.
	Guardian supplement (Huoltajalisä) was replaced with child supplement (lapsikorotus), which is paid for one child (FIM 4.25), for two or more FIM 8.50. Levels were raised.	+	Adj.
	People receiving disability pension or unemployment pension not eligible to sickness benefit.	0	Adj.
	<b>Decree on Changing Sickness Insurance Act</b> (Asetus sairausvakuutuslain muuttamisesta) 639/1981 into effect 1.1.1982.		
	Revision of child supplement.	+	Adj.
1982	<b>Act on Changing the Section 15 of the Sickness Insurance Act</b> (Laki sairausvakuutuslain 15 §:n muuttamisesta) 19/1982, into effect 1.7.1982.		
	No sickness benefit for recipients of front-line soldier early-retirement pensions.	0	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 572/1982.		
	If a recipient of unemployment pension becomes incapable for work, he qualifies immediately to a disability pension.	+	Adj.
	The pension payment stops after 3rd months' sentence in prison.	-	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 103/1982, into effect 1.1.1983.		
	Change in child supplement (increase).	+	Adj.
	The level of National pensions increased and the work income (either recipients or their partners) no longer affect the level of the supplementary part.	+	Structr.
	Wife increase (Vaimolisä) named as spouse increase (puolisolisäksi): the spouse increase payable also for those male recipients whose wife does not receive.	+	Adj.
1983	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 1119/1983, into effect 1.1.1984.		
	For work income a degressive table 30% in use. (In 1984 revision, also in 1996).	+	Adj.
1985	<b>Act on Changing the National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 670/1985, into effect 1.1.1986.		
	Flexible disability pension age arrangement introduced: individual early retirement pension scheme (yksilöllinen varhaiseläke).	Na	Na
1985	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 674/1985, into effect 1.1.1986.		
	Recipients of individual early retirement pension not eligible to sickness benefit.	0	Adj.



1988	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 1217/1988, into effect 1.1.1989.		
	Pension right widened to some categories of Finns residing abroad (e.g. workers of Finnish embassies).	+	Adj.
1989	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 1255/1989, into effect 1.1.1990.		
	Person on military service eligible to sickness benefit when on leave from service and incapable for work.	+	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 738/1989, into effect 1.8.1989, applied until 1.1.1989.		
	An additional requirement for the eligibility to the individual early retirement pension is that the person has stopped working (or his income has dropped) at least 360 days prior to the beginning of a disability that empower to a pension.	-	Adj.
1990	<b>Act on Changing the Section 34 of the Sickness Insurance Act</b> (Laki sairausvakuutuslain 34 §:n muuttamisesta) 959/1990, into effect 1.1.1991.		
	Sickness benefit of an unemployed raised to 86% of UB.	+	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 105/1990, into effect 1.7.1990.		
	A non-Finnish person eligible to National pension after residing at least 5 years in a row in Finland.	-	Adj.
1991	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuksen muuttamisesta) 1714/1991, into effect 1.1.1992.		
	Income levels changed and percentages decreased by 5% (from 80, 50 and 30 to 75, 45, 24; and limit from 75,000 lowered to 36,000) other limits changed as well.	-	Adj.
	<b>Decree on Temporary Change of the Section 9 of Sickness Insurance Act</b> (Asetus sairausvakuutusasetuksen 9 §:n väliaikaisesta muuttamisesta) 1603/1991, into effect 1.1.1992 (sitä sovelletaan vuodelta 1990 toimitussa verotuksessa todettuihin työtuloihin.)		
	To be used the income noted in the taxation done in 1990.	-/+	Adj.
	<b>Rehabilitation Allowance Act</b> (Kuntoutusrahalaki) 611/1991, into effect 1.10.1991		
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 619/1991, into effect 1.10.1991. Also <b>Rehabilitation Subsidy Act</b> (Laki kansaneläkelain muuttamisesta kuntoutustuen kohdalta). 1487/1995.		
	After 60 days on Sickness benefit (Rehabilitation Allowance (kuntoutusraha) and prior to decision of receipt of disability pension (Rehabilitation Subsidy (kuntoutustuki), the rehabilitative possibilities of the claimant must be defined. If the claim is turned down, must the claimant be guided to rehabilitation best suitable for him/her.	-	Structr.
<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 471/1991, into effect 1.9.			
Increase in the pensioner's spouse's supplementary part: increase from 81% to 85% of a single's supplementary part.	+	Adj.	
1992	<b>Act on Temporary Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain väliaikaisesta muuttamisesta) 626/1992, into effect 1.9.1992 and applied until 31.12.1992.		
	Sickness benefit's (regressive table) percentages lowered again: 70, 40, 25%.	-	Adj.
	<b>Act Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 1653/1992, into effect 1.1.1993.		
	Sickness benefit percentages decreased again from 70, 40, 25 to 66, 40, 25%.	-	Adj.
	Waiting days from 7 to 9 days.	-	Adj.



1993	<b>Decree on Changing Sickness Insurance Act</b> (Asetus sairausvakuutusasetuksen muuttamisesta) 1624/1993, into effect 1.1.1994. <b>The Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) (1129/93).		
	No child allowance is paid to sickness benefit.	-	Structr.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 547/1993.		
	Based to the legislative changes due to ETA agreement, the National pension was linked to the time having lived in Finland when in the age 16–65.	-	Adj.
	A full disability pension and individual early retirement pension are payable when a claimant has lived at least 80% of the time in Finland between the ages of 16 and 65. If the claimant has lived shorter period in Finland, the benefit is reduced in the same proportion as the person has in reality lived in Finland.	-	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 564/1993, into effect 1.1.1994.		
	The age limit of individual early retirement pension was increased from 55 to 58 years.	-	Adj.
This pension can be divided in half or set aside if the recipient wants to go back to working life.	+	Adj.	
1995	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 1500/1995, into effect 1.1.1996. <b>Decree on Changing Sickness Insurance Act</b> (Asetus sairausvakuutusasetuksen muuttamisesta) 1511/1995, into effect 1.1.1996.		
	Sickness benefit compensate primarily the lost work income due sickness.	-	Structr.
	Minimum sickness benefit abolished. Benefit not paid if the income remains under FIM 5,000 in a year: BUT person with yearly income under this FIM 5,000 can receive a means-tested benefit after 60 waiting days.	-	Structr.
	As of 1.1.1996, disability pension begins not until the expiration of 300 waiting days.	-	Adj.
	The sickness benefit for unemployed is 86% of the unemployment benefit, and students sickness benefit is 86% of study allowance, taking that the income limit is exceed.	+	Adj.
	The degressive table altered for work income: until FIM 130,000 the payment rate is 70%, for the part exceeding this it is 40% until FIM 200,000. The amount exceeding this is calculated by 25% (as earlier).	+	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 1487/1995, into effect 1.1.1996.		
	Temporary disability pension was changed to a Rehabilitation Subsidy (kuntoutustuki), which aimed at improving the rehabilitation of the applicant.	+	Structr.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 1491/1995, into effect 1.1.1996.		
	A new National pension scheme introduced (for new applicants as of begin 1996).	-	Structr.
	Spouse increase and child increased were abolished.	-	Structr.
<b>Decree on Changing the Sections 50 ad 53 of the National pension decree</b> (Asetus kansaneläkeasetuksen 50 ja 53 §:n muuttamisesta) 1744/1995, into effect 1.1.1996.			
Care and rehabilitation plan must be submitted to the social insurance institution for the decision of disability pension receipt.	-	Adj.	
1996	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 350/1996, into effect 1.6.1996.		
	Means-tested sickness (payable for persons with earnings under 5,000) benefit is not paid, if the payable sickness benefit (for 25 days) is under 60 (that is, FIM 2.40 per day).	-	Adj.

1998	<b>Act on Changing the Section 1 a of Act on Linking of the Pensions and Compensations Set under National Pension Laws to Cost-of-living-index</b> (Laki kansaneläkelaiissa säädettyjen eläkkeiden ja avustusten sitomisesta elinkustannusindeksiin annetun lain 1a §:n muuttamisesta) 912/1998, into effect 1.1.1999.		
	Cost-of-living-index does not take into consideration of the rise in cost-of-living between October 1994 and October 1997.	-	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 837/1998, into effect 1.8.1999.		
	The conditions for temporary set aside of disability pensions were tightened.	-	Adj.
	Eligibility of disability claimants under 18 was tightened.	-	Adj.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 1271/1999, into effect 1.1.2000.		
1999	The age limit of individual early retirement pension was raised as of 2000 from 58 to 60 for person born after 1943.	-	Adj.
2000	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta annetun lain voimaantulosäännöksen muuttamisesta) 1228/2000, into effect 1.1.2001.		
	The base amount was no longer paid as of the beginning 2001.	-	Structr.
	Child increase was abolished.	-	Structr.
	<b>Act on Changing the Sections 24 and 42 b of the National Pension Act</b> (Laki kansaneläkelain 24 ja 42b §:n muuttamisesta) 1224/2000, into effect 1.6.2001.		
	National pensions were raised.	+	Adj.
2001	<b>Act on Changing Sickness Insurance Act</b> (Laki sairausvakuutuslain muuttamisesta) 1479/2001, into effect 1.4.2002.		
	A minimum period having received other social security benefits before qualifying to sickness benefit was extended from 1 months to 4 months for students and unemployed.	-	Adj.
	Sickness benefit for students raised: amount of sickness benefit is at least the amount of study allowance (opintoraha) – earlier only 86% of it.	+	Adj.
	Means-tested sickness benefit abolished: a minimum daily wage was introduced (€10.09 per day after 55 days): The sick without a work history can receive a minimum daily wage (€10.09 after 55 days).	+	Structr.
	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 1420/2001, into effect 1.1.2002.		
	New child increases introduced to National pensions: €18.08 per month for a child under 16.	+	Structr.
	Child increased become payable prior to 1996 were linked to National pension index.	+	Adj.
2002	<b>Act on Changing the National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 70/2002, into effect 1.4.2002.		
	Changes in disability pension for young: the age, under which disability pension is not granted before person's right to rehabilitation allowance has been terminated, was raised from 18 to 20.	-	Adj.
	A monthly income-limit was implemented for those pausing their receipt of disability pension. The pension can be paused if the pensioner earns €588.66 or more in a month. The pension can be started to pay again, if the person works no longer or his income has been reduced under the income.	-	Adj.
	The pausing duration was altered: the maximum time was increased from 2 years to 5 years. A full pension can be paused for a minimum of 6 months and maximum of 5 years.	+	Adj.
	<b>Act on Special Support for Immigrants</b> (Laki maahanmuuttajan erityistuesta) 1192/2002. Into effect 1.10.2003.		
	A new benefit was created for elderly, disabled immigrants residing in Finland	0	Adj.

2002	<b>Act on Changing National Pension Act</b> (Laki kansaneläkelain muuttamisesta) 633/2002, into effect 1.8.2002.		
	Individual early retirement pensions eligibility changed: a person born in 1944 or later have no longer the right to this pension when turning to 60.	-	Adj.
	Person over 60 disability pension right estimation must view now also professional nature of the disability (e.g. long and hard work history make it impossible to continue).	+	Adj.
2003	<b>Act on Changing the Section 39 of the National Pension Act</b> (Laki kansaneläkelain 39 §:n muuttamisesta) 2003/190. Into effect 1.1.2004.		
	A right to disability pension can only begin after the right to Rehabilitation Subsidy has expired (Rehabilitation Subsidy was made primary in relation to pensions).	-	Adj.
2004	<b>Act on Changing the Section 24 and 42b of the National Pension Act</b> (Laki kansaneläkelain 24 ja 42b §:n muuttamisesta) 1023/2004, into effect 1.3.2005.		
	Benefit raised (tasokorotus) €7 per month).	+	Adj.
	<b>Act on Changing the Section 24 and 42b of the National Pension Act</b> (Laki kansaneläkelain 24 ja 42b §:n muuttamisesta) 1023/ 2004 and 940/2005.		
	Benefit raised in 2005 and 2006: the minimum benefit raised from €11.45 a day to €15.20 per day.	+	Adj.
2005	Reform of the employment pension scheme (Työeläkejärjestelmän uudistus) 1.1.2005.		
	A right to sickness benefit extended to 67 (previously 65).	0	Adj.

### 2.3 SOCIAL ASSISTANCE REFORMS

NOTE: In addition to the actual laws and regulations, there are secondary instructions and recommendations implemented. In practice this means that (especially) social assistance scheme has been reformed through secondary measures and that changes can be made to the benefit provision without a parliamentary handling. As a matter of fact, many actual changes of law, have just arranged a new (technical) framework to provide benefits.

Year	Measure	Direction	Scope
1982	<b>Act on Welfare Assistance</b> (Sosiaalihuoltolaki) 710/1982 into effect 1.1.1984.		
	Obligated municipalities to plan and provide the welfare assistance provision (subjective right to welfare).	Na	Na
1983	<b>Governments Resolution</b> (Valtioneuvoston periaatepäätös Vnp) 838/83. Into effect 1.1.1984.		
	The basic amount covers food costs and general purpose funds.	+	Adj.
	The basic amount for single and lone parent (with children under 16) 44% of the full-National Pension.	+	Adj.
	Other person over 16 90%, children 10–15 60% and under 10, 45% of the basic amount of a single person. A benefit for a third child under 16 was reduced with 5%.	+	Adj.
1984	<b>Governments Resolution</b> (Valtioneuvoston periaatepäätös Vnp) 1021/84 into affect 1.1.1985.		
	The basic amount for singles and lone parents increased to 50% of a full National Pension.	+	Adj.
1986	<b>Governments Resolution</b> (Valtioneuvoston periaatepäätös Vnp) 335/86, into effect 1.7.1986.		
	The basic amount for singles and lone parents increased to 55% of a full National Pension.	+	Adj.

1988	<b>Governments Resolution</b> (Valtioneuvoston periaatepäätös Vnp) 1349/88.		
	Change to so called a comprehensive basic amount, starting from 1.1.1989 until the end of 1993.	+	Adj.
	Comprehensive basic amount for singles and lone parents raised to 80% of the full National Pension. Others older than 17 it was 85%, for 10–16 60% and under 10 45% of the amount for single person.	+	Adj.
	The amount for a child under 17 was reduced by 5% for the second child, 10% for the third, 15 for the fourth and thereafter 20% per child.	-	Adj.
1991	<b>Act on Changing the Section 17 of the Social Welfare Act</b> (Laki sosiaalihuoltolain 17 §:n muuttamisesta) 607/1991.		
	If a social assistant recipient is in need of rehabilitation, that can not be provided by the social assistance authorities, the social welfare services must guide such a recipient to the authorities that can provide such services.	Na	Na
1993	<b>Governments Resolution</b> (Toimeentulotuen yleiset perusteet valtioneuvoston päätöksellä) VNP 988/1993 as of 1.1.1994.		
	Child allowance affect the level of granted benefit, but also increase the basic amount of children under 17.	-/+	Adj.
	Basic amount for singles and lone parents 80%, other persons over 17, 85%, <i>children 10–16 70%, under 10 66%</i> of the basic amount of a single person.	+	Adj.
	Number of children no longer reducing the basic amount.	+	Adj.
	New basic amount for 17 years of age and living with the parents (73%).	+	Adj.
	Frozen of indexation for 1994.	-	Adj.
1994	<b>Study Support Act</b> (Opintotukilaki) 65/1994.		
	Students primary income benefit scheme is a Student Grant as implemented in 65/1994 (includes student money, student housing allowance and state’s guarantee for a student loan).	0	Adj.
	Frozen of indexation 1995–1998	-	Adj.
1995	Insertion to the Constitution (Hallitusmuotolisäys).		
	A reform of social basic rights (Sosiaalisten perusoikeuksien uudistaminen): Sufficient livelihood is a subjective right.	Na	Na
	<b>Governments resolution</b> (Valtioneuvoston periaatepäätös Vnp) 1676/1995. Into effect 1.1.1996.		
	The basic amount can be reduced with 20% if person refuses a offered job or schooling.	-	Adj.
	Frozen of the benefits for 1996–1998.	-	Adj.
1997	<b>Social Assistance Act</b> (1412/1997) and <b>Degree</b> (66/1998) into effect 1.3.1998 (Government proposal (Hallituksen esitys HE 217/1997).		
	New to the law: responsibility for everybody to gain their livelihood by wage working (people able to work, should apply unemployment benefit, if following the strict word of law: people able to work and registered at unemployment office not eligible).	-	Structr.
	Reduction of the level of benefits (basic, norm-based amount) for families with two or more children.	-	Adj.
	Introduction of 7% self-liability for housing expenses.	-	Adj.
	Reduction of the basic social assistance benefit by 20–40% for those refusing work and training measures.	-	Adj.
	Person whose benefit is reduced due to refusal of job or schooling offer must work out, together with the employment office, a plan to improve the individual coping. extending the right to deduct travel expenses.	-	Adj.

2000	<b>Preventing Support (Ehkäisevä tuki)</b> Government proposal HE 134/2000.		
	Financial measure expanding the use of preventive social assistance in municipalities, shortening client waiting lists and intensifying the use of means testing when allocating assistance.	+	Adj.
2001	<b>Social Assistance Decree (Asetus)</b> 112/2001 into effect 1.4.2001.		
	Conditions to receive supplementary amount were smoothened: long-term receipt, long or difficult disease, and the special needs due to children’s hobby activities entitled to a supplementary amount.	+	Adj.
	Government Proposal (HE) 1410/2001 and <b>Act on Social Assistance</b> (temporary alteration of Sections 11 and 15) (Laki toimeentulotuesta annetun lain 11 ja 15 §:n väliaikaisesta muuttamisesta). So-called Privileged income experiment Act (Laki etuoikeutetun tulon kokeilusta).		
	changed the disregarded earnings: 20% of earned income (wage work or entrepreneur income) is not regarded as income, but not more than €100 per month.	+	Adj.
	<b>Act on Rehabilitative Working Activity</b> (Laki kuntouttavasta työtoiminnasta) 189/2001, into effect 1.9.2001.		
	Employment office, municipality and client (recipient of Labour Market Assistance or social assistance) must make an activation plan for the recipient. one possible for the person can also be rehabilitative working activity (which the municipality is obliged to arrange).	-	Adj.
	While participating in rehabilitative working activity, in addition to the benefit, a recipient of Labour Market Assistance can receive Daily Allowance for those days and a recipient of social assistance is eligible for a Rehabilitation Allowance (toimintaraha).	+	Adj.
Refusal of rehabilitative working activity can lead to persons under 25 to reduction of benefits or suspension of Labour Market Assistance payment.	-	Adj.	
<b>Act on Social Assistance</b> (Laki toimeentulotuesta) 191/2001, into effect 1.9.2001. (Also 1294/2002. HE 115/2002.)			
Social assistance recipient between 17 and 64 years must register to unemployment office as unemployed jobseeker (if not already working or studying full-time). If the claimants fail to do this not registered, their basic amount can be reduced with 20 (or maximum 40) %.	-	Structr.	
20% or 40% of the benefit can be reduced if person has refused a offer under rehabilitative working activity scheme (under the 189/2001).	-	Adj.	
2005	<b>Act on Changing and Temporary Changing of the Social Assistance Act</b> (Laki toimeentulotuesta annetun lain muuttamisesta ja väliaikaisesta muuttamisesta) 49/2005.		
	Privileged income extended to end of 2006.	+	Adj.
	<b>Act on Public Employment Services and Some Other Laws</b> (Laiksi julkisesta työvoimapalvelusta annetun lain muuttamisesta ja eräksi siihen liittyviksi laeiksi ) HE 164/2005.		
Basic social assistance is no longer generated based on state budget, but the state and municipality will finance it half and half. Complementary social assistance is rather fully financed through the state’s budgetary amounts.	0	0	
2006	<b>Act on Social Assistance</b> (Laki toimeentulotuesta annetun lain muuttamisesta) 64/2006. HE 155/2006.		
	The 7% living cost excluded from the basic amount.	+	Adj.

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