

Changing the social rights and obligations of social citizenship in Europe  
- The case of in unemployment compensation, social assistance and family benefits in the 1990s

Paper for the ISSA initiative “Rights to social protection” by

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## ***1. Introduction***

The social rights of citizenship are an integral part of contemporary Western European welfare societies. Social rights are the legitimate claims that people make as citizens on the range of benefits and social services from the state. Even though the welfare states of Western Europe differ in their historical background, institutional framework and policy practices (Esping-Andersen 1990, 1999; Baldwin 1990), they have all in the post-war period developed extensive social rights to protect and aid citizens in a wide range of social situations: e.g. sickness, disability, unemployment, child-birth, and old-age. Consequently, the social rights of citizenship are one of the cornerstones of the modern welfare state.

Since the 1970s oil crises, economic recessions and other social developments have forced many of the European welfare states to carry through extensive reforms of their social security systems. Thus, a combination of both exogenous and endogenous challenges to welfare states, e.g. internationalization of economies, ageing populations, and changing family structures have made a redesign of the social rights of citizenship in the Western European welfare states a pressing political task (Jæger and Kvist 2003). Policy responses to these challenges to welfare states have been extremely diverse (Kitschelt et al. 1999; Kuhnle 2000; Pierson 2001; Scharpf and Schmidt 2000, 2001), but a common trend towards 'slimming' public welfare programmes by introducing more conditionality on eligibility and entitlement on social security benefits and services has been evident since the 1980s. This trend has sometimes also been described as a rise in the 'social obligations' of citizenship (Janoski 1998).

The purpose of this paper is to analyse changes in access to social rights within three important social security schemes: unemployment benefits, social assistance, and family benefits. These three policy domains represent key social security arrangements in the provision of income maintenance for the unemployed, minimum-income to people with no other sources of income, and finally benefits to families with children. The leading question to be examined is how the quality and access to the social rights in these three policy fields have fared during the 1990s. Have social rights remained at a *status quo*, or have policy developments resulted either in deterioration or improvements of social rights? Furthermore, we aim to explore the new tendency during the 1990s towards increasingly implementing the social obligations of citizenship in social security arrangements. Social obligations have materialized especially with respects to cash benefits for the

unemployed and people on social assistance schemes in the sense of making benefit receipt conditional upon fulfilling certain requirements, e.g. participation in training programmes, education or other forms of work.

Taking a comparative approach to investigating access to social rights and the balance between rights and obligations we include 6 countries in the study: Denmark, the United Kingdom, Germany, the Netherlands, Italy, and Hungary. These countries represent most of the diversity of welfare state arrangements found in Western Europe (Esping-Andersen 1990) supplemented with the former communist country of Hungary.

### *Unemployment insurance – reforms of the 1990s in six countries*

In this section we investigate the pattern of major reforms of unemployment insurance in the 6 countries in the study: Denmark, the UK, Germany, the Netherlands, Italy, and Hungary. The main focus of the section is on analysing how reforms in the countries may be interpreted in relation to access to social rights and the shifting balance between social rights and social obligations.

In general terms, unemployment insurance systems protect persons from the social risks associated with the loss of work income in case of unemployment. In Europe the institutional features, as well as coverage, access, and generosity of unemployment insurance systems vary greatly, from the comparatively modest Anglo-Saxon British insurance system to the comprehensive systems of Scandinavia and some of the Continental European countries offering generous benefits for long periods of time. This diversity has led some authors to define 4 overall ‘unemployment welfare regimes’ in Europe (Gallie and Paugam 2000). The characteristics of these regimes are summarised in table X below.

Table X: Unemployment welfare regimes

Regime	Coverage	Level & duration of cover	Active employment policy	Example of countries
<i>1. Sub-Protective</i>	Very incomplete	Very weak	Quasi non-existent	Italy, Greece
<i>2. Liberal/Minimal</i>	Incomplete	Weak	Weak	UK, Ireland

3. <i>Employment-centered</i>	Variable	Unequal	Extensive	Germany, Netherlands (Hungary?)
4. <i>Universalistic</i>	Comprehensive	High	Very extensive	Denmark, Sweden

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Source: Extended from Gallie and Paugam 2000: 5

The *sub-protective regime*, as is implied by its name, grants no or only very weak public support for the unemployed. The unemployed are likely to receive either no financial support from the state or less than what is needed to maintain material subsistence. As a consequence many of the unemployed live below the poverty threshold, and similarly, long-term unemployment is prevalent. Additionally, public intervention into the labour market in form of employment policies and active labour market policies is almost non-existent. In the present study Italy is an empirical example of the sub-protective regime. In the *liberal/minimal regime* financial compensation for the unemployed is higher than in the sub-protective regime but still not at a level sufficient to alleviate efficiently the social risks of unemployment. Active labour market policies are weak and incomplete, but unlike the sub-protective regime in which the lacking level of social protection is typically due to poor institutionalisation and planning by the state, in the liberal/minimal unemployment regime faltering public provision for the unemployed is a deliberate aspect of the liberal political philosophy of not wanting to interfere with the labour market. In this study the UK is the representative of this regime. In the *employment-centered* unemployment welfare regime the level of coverage and compensation in case of unemployment is closely tied to the work record of the unemployed. Consequently, the real level of coverage varies greatly from extremely generous with long entitlement periods benefits for those with longstanding work records to gravely insufficient for those with only a feeble labour market attachment in the past (typically women, the temporarily employed, and young people). In our study Germany and the Netherlands, and to some extent Hungary, are examples of this type of unemployment welfare regime. Last, in the *universalistic* unemployment welfare regime the level of coverage and compensation for the unemployed is very comprehensive, and generous benefits go hand in hand with ambitious and extended active labour market policies that aim at reintegrating the unemployed into the labour market. In our study the unemployment insurance system in Denmark conforms closely to this heuristic model.

Empirically, a common feature of access to unemployment insurance in the countries examined is that unemployed claimants at the minimum must meet the standard ILO qualifications for being unemployed, that is being unemployed involuntarily due to circumstances exogenous to one's own actions, looking for work and prepared to accept jobs with a short notice (Grubb 2000; Kvist 2002a: 235). Additionally, the unemployed person must typically register as unemployed at a public authority to be eligible for benefits.

Another point of interest is the integration of unemployment benefits with employment policies and, as will become visible in this section, the progressive deployment of active labour market policies within unemployment insurance that has unfolded in most European countries during the 1990s. These developments, which are present in all types of unemployment welfare regimes, have typically meant that entitlement to unemployment benefits to a increasing degree has become dependent on the acceptance of suitable job offers or participation in active labour market programmes. From a social rights perspective the more specific tying of social rights to unemployment benefits with concomitant social obligations is a comparatively new feature in unemployment insurance arisen in most cases during the 1990s (see also Kvist 2002a). Also, increasingly links between work history and benefit entitlement and narrowing authoritative definitions of 'suitable' job offers indicate that the social obligation of having to accept downward wage, occupational or educational mobility has been on the rise in most countries (Clasen et al. 2001).

In the study we investigate only reforms of the 'ordinary' unemployment insurance schemes. In some countries, special or marginal schemes in addition to the ordinary unemployment insurance scheme exist to cover particular groups of employees or social risks. These marginal schemes are not dealt with in this context for two reasons. First, empirically they are most often of comparatively small importance compared to the main unemployment insurance schemes. Second, given the multitude and complexity of these systems they must be considered to be beyond the scope of this study.

### *Denmark*

Like in Belgium, Finland, and Sweden, the Danish Ghent-style unemployment insurance system is based on voluntary membership of heavily state subsidised unemployment insurance funds linked

to unions in a regime often referred to as a 'state-financed system of union recruitment' (Scheuer 1998). Thus, organisationally the unemployment insurance scheme is run by 59 trade union and unemployment insurance funds under the supervision of the Ministry of Social Affairs.

In comparative perspective the Danish unemployment insurance scheme benefits are traditionally generous, eligibility lax in international perspective and the entitlement period quite long. In 1990, requirements for eligibility for unemployment insurance were at least one-year membership of an unemployment insurance fund as well as an accumulated work record of 26 weeks within the past three years. The insurance scheme covers both wage earners and the self-employed. Benefits are income-related with a replacement rate of 90 percent of former income, but since a very low ceiling on benefit levels exists, net benefits are effectively flat rate for medium and above medium incomes (the effective replacement rate for median-income persons is around 60 percent). No differentiation of benefit levels according to family situation, seniority or duration of unemployment spell exists. The maximum entitlement period is 2½ years, but since 1978 claimants would, in due time before exhausting benefit entitlement, automatically receive a job or training offer, through the completion of which benefit entitlement would be renewed.

Furthermore, like in the other Nordic countries Denmark has integrated active labour market policy programmes in unemployment insurance. These programmes of e.g. education, vocational training and apprenticeships are organised by the public Employment Service (*Arbejdsformidlingen*), while a combination of public (including the Employment Service) and private sector contractors offer an array of active labour market programmes.

Reforms of unemployment insurance in the 1990s have significantly reduced the traditional generosity of the programme and enhanced the active labour market components of the system. Notably, the 1994, 1995 and 1999 labour market reforms have altered the basic features of the system from a passive to an active unemployment insurance regime (Goul Andersen 1999a, 1999b). The first labour market reform of 1994 abolished claimants' rights to regain entitlement for unemployment insurance while engaged in active labour market programmes, effectively terminating the existing system of practically *de facto* automatic renewal of entitlement. Additionally, a maximum duration of 7 years of benefit entitlement was instated, of which 4 years of 'passive' entitlement was followed by 3 'active' years in which the claimant has the right and



obligation to participate in active labour market programmes. In addition, a decentralization of the administration of active labour market programmes to 14 Regional Labour Market Boards, as well as an introduction of several new policy programmes was carried out. In the 1995 reform the work requirement for eligibility for unemployment benefits was doubled from 26 to 52 weeks within the past 3 years, and the entitled period for unemployment benefits was reduced to 5 years (2 years of passive benefits and 3 years in active labour market programmes). This tightening of the entitlement period was accentuated even more in the 1999 labour market reform that cut off an additional 1 year of the total entitlement period which has since been 4 years (1 'passive' year followed by 3 years with mandatory participation in active labour market programmes). Policy changes since the third labour market reform of 1999 have mostly consisted in incremental adjustments of the active labour market policies and the introduction of additional and more flexible policy programmes.

In sum, the Danish unemployment benefit system has during the 1990s undergone major reforms away from 'passive' income maintenance with lax eligibility and long entitlement periods to an 'active' regime based on more compulsion in active labour market policies, harder eligibility criteria and shorter entitlement periods (Kvist 2002a: 236). From a perspective of access to social rights, the Danish unemployment insurance system has thus clearly witnessed a deterioration of social rights to unemployment benefits with a concomitant rise in social obligations on the part of claimants. Eligibility for the system has been tightened, but of particular importance is the gradual reduction of the entitlement period of unemployment benefits from 7 to 4 years. However, it is important to emphasise that developments in the 1990s cannot uniformly be interpreted as deterioration of social rights with respect to unemployment benefits. First, a reduction of benefit generosity has not occurred, and while access to unemployment insurance has been reduced, the system of active labour market policies has expanded dramatically granting claimants new possibilities – and indeed rights – of attaining work experience, upgrading of skills and education. Consequently, developments in Denmark signal a more complex process of both "narrowing" of social rights, a rise of social obligations as well as an expansion of the qualitative content of the systems in which these obligations are met.

### *United Kingdom*

Historically, unemployment insurance in the UK emerged as part of a larger 'package' of social insurance schemes also including such social contingencies as sickness and disability. All of these benefits were and still are managed at the central state level through the National Insurance Fund.

At the beginning of the 1990s membership of the unemployment insurance scheme is mandatory for all regular employees. The system is controlled by the state, and financing is provided through tripartite contribution from employers, employees and the state to the National Insurance Fund. Benefits are paid out at a flat rate but at different benefit levels, and there is no earnings related component at all (an ill-fated earnings related system called the Earnings Related Supplement existed from 1966 to 1982; see Micklewright 1989 for further information). Additionally, an earnings limit on how high income from alternative sources the claimant can have in order to maintain entitlement exists. Eligibility requirements are quite lax and consist of, first, 25 contributions to the National Insurance Fund in one of the two tax years prior to the beginning of the year in which the claimant signs on and claims benefit, and second, contributions paid or credited in both preceding years amounting to at least 50 contributions. In practice, these eligibility criteria amount to roughly 6 months of contributions from regular employment. The entitlement period for unemployment benefits is 12 months.

During the first half of the 1990s no important reforms of unemployment insurance were carried out, partly because a series of changes in unemployment insurance of the late 1980s were coming into effect in the beginning of the 1990s. These reforms predominantly aimed at increasing testing of claimants' willingness to work and 'active' job search behaviour (see Ogus 1995: 103-30; Erskine 1997). As a consequence, the major reform of unemployment insurance in the 1990s was the abolishment of the traditional system of unemployment insurance in 1996 and the introduction of the Contributory Jobseeker's Allowance (CJSA) scheme. The most significant implications of the new scheme were twofold: first, a halving of the entitlement period from 12 to 6 months (while maintaining the eligibility requirements of the old scheme), and second an explicit codification of the obligations of the recipient in a new *Jobseeker's Agreement* in terms of actively seeking work and participating in active labour market policies to improve their prospects of employability.

Furthermore, the New Deal programmes introduced by the first Blair government in 1997 to some extent fuses active labour market policies with the CJSA. Participation in the New Deal programmes is currently mandatory in order to maintain entitlement for the two largest groups of unemployed (young people and long-term unemployed), but recent policy developments and policy recommendations have tended to increase social obligations and widen the scope of compulsion in the New Deal programmes. Rather, for the time being obligations on the part of claimants to a large extent consist of being 'actively seeking work' under conditions which have become increasingly toughened since the late 1980s (Clasen 2002: 6-7). Sanctions in case of refusals of job offers consist of benefit withdrawal for a maximum of 26 weeks, the disqualification period based on case officer's discretion. The maximum period was increased in the late 1980s from 13 to 26 weeks as part of the Social Security Act 1988. Furthermore, prior to 1996 refusal to take up a training offer means loss of unemployment benefits for 2 weeks. This was raised to 4 weeks after 1996 (Kvist 2002a: 237). Sanctions are not hard in comparative perspective in terms of benefit withdrawal (but the use of sanctions have been on the increase in the 1990s; see Donnelly 1997), but requirements on wage mobility and documentation of job search have been significantly augmented. This has led some authors to talk of the emergence of a "stricter benefit regime" in the UK since the late 1980s (Price 2000).

In sum, reforms of unemployment insurance in the UK in the 1990s revolve around the introduction of the CJSA in 1996. Access to unemployment benefits have remained unchanged at comparatively lax throughout the decade (the most significant tightening of eligibility requirements took place in the late 1980s), while the entitlement period was cut in half from 12 to 6 months. Furthermore, the New Deal programmes introduced elements of active labour market policies in tandem with 'creeping' compulsion of participation; clearly adding a new element of obligations to the already existing paradigm of displaying willingness to work and active job search. From the perspective of social rights, reforms of unemployment insurance in the UK display some level of deterioration, mostly in terms of the reduction of the entitlement period and the intensification of obligations of claimants and the authoritarianism associated with the New Deal. This may especially be the case since political commitment in favour of, and funding of the New Deal programmes is often considered to be inadequate to make a real difference to claimants' chance of leaving unemployment (e.g. Lister 2001).

### *Germany*

In Germany, unemployment insurance was introduced in 1927, relatively late compared with the other pioneering social security institutions introduced in Germany in the late 19<sup>th</sup> century.

Throughout the 1990s unemployment insurance has featured prominent position in public policy and constitutes an important means of income maintenance for Germany's comparatively high number of unemployed.

The German unemployment insurance system at the beginning of the 1990s relied strongly on the social insurance principle. First, the system is two-stringed combining the main insurance-based *unemployment insurance* scheme with a second means-tested system of *unemployment assistance*. Membership of unemployment insurance is compulsory for all employees, and eligibility for unemployment benefits presupposes 1 year of contributions within the past 3 years prior to claiming unemployment benefits. Civil servants and the self-employed are not covered by unemployment insurance, but regulations made to the system in the latter part of the 1990s mean that coverage for people moving between regular and self-employment has improved considerably (Reissert 2001). Civil servants have their own system of unemployment insurance. Still, access to unemployment insurance in Germany is quite strict compared to the other countries in this study. The system is financed through employee and employer contributions to the Federal Employment Institute that manages the unemployment insurance system.

Benefit entitlement for unemployment insurance is linked to contribution record and, in the case of workers beyond the age of 42, also to age. Claimants are allowed to work for less than 15 hours per week while still remaining eligible for unemployment benefits. When minimum eligibility criteria have been met, the length of the entitlement period is 12 months, and the entitlement period increases with work history and age to a maximum of 32 months for persons over the age of 54. The normal replacement rates are fixed at 67 percent of previous net earnings for claimants with children and 60 percent for claimants without children. Previous earnings were until 1998 defined as average wage over the past 6 months. From 1998 onwards this has been changed to the average wage over the past 12 months (Reissert 2001: 7).

The second tier of *unemployment assistance* is available when entitlement for the insurance-based benefit is exhausted and the claimant is still unemployed.<sup>1</sup> The normal entitlement period for this benefit is 1 year, but the period may be extended indefinitely. Benefits are set at 57 percent of previous earnings for claimants with children and 53 percent for claimants without children, and the benefit is means-tested taking into account other financial resources in the household (e.g. those of spouse). The unemployment assistance scheme is financed from the Federal Budget, i.e. through general taxes.

Reforms of the German unemployment insurance scheme have been comparatively modest during the first part of the 1990s.<sup>2</sup> Access to the system has remained largely unchanged throughout the 1990s (Kvist 2002a: 234). As mentioned above, one change has been an improvement of access to unemployment insurance for people shifting between ordinary and self-employment as well as for others in irregular and flexible employment relations. However, these changes are of minor significance to the unemployment insurance system as a whole.

Rather, the main emphasis of reform since the mid 1990s has been on a decentralisation of the hitherto extremely centralised unemployment insurance system, enforcing claimants' responsibilities and availability for work, and a residualization of unemployment compensation. From 1998, The Social Policy Act III has significantly increased the demands on occupational and wage mobility of claimants. Up to 1997, claimants of unemployment insurance had been obliged to accept job offers below their previous level of earnings and qualifications, but they were able to refuse offers that might jeopardize their realistic return into a job of previous qualifications with the aid of a training measure. From 1998, this option no longer exists, and only a modest short-term

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<sup>1</sup> An additional more general system of social assistance also exists. This system is described separately in the section on reforms of social assistance.

<sup>2</sup> Reissert (2001) attributes this fact to a number of reasons. First, reforming unemployment protection following the reunification was seen as politically inappropriate since many people would be expected to become unemployed during the transition period and a secure net of social protection was needed. Second, reunification brought along with it an economic "boom" and decline in the level of unemployment in the early 1990s. Third, the political focus in Eastern Germany was rather on promoting active labour market policies than unemployment legislation as such.

protection from downward wage mobility has remained.<sup>3</sup> Additionally, the law stipulates that claimants must now keep proof and documentation of their job search if they want to remain eligible for unemployment benefits. This was not the case earlier.

Additionally, in 1998 the disqualification period for unemployment benefits due to voluntary quitting or refusal of appropriate job or training offer has been raised from 8 to 12 weeks (Reissert 2001: 16). Claimants are excluded from benefits after 24 weeks of sanctions (Kvist 2002a: 237). In case of a second refusal the benefit is terminated altogether. Also, from 1998 participation in approved training schemes no longer qualifies claimants for re-entitlement for unemployment insurance (Reissert 2001: 20). As a consequence, only spells of 'regular' employment qualify in establishing eligibility for unemployment insurance.

The entitlement period of unemployment benefits has remained unchanged throughout the 1990s, with the minor modification that the minimum age at which claimants qualify for longer entitlement periods beyond 12 months was raised by 3 years in 1998 and is now beginning at age 45. The generosity of benefits has remained unchanged (Kvist 2002a: 235).<sup>4</sup>

A related aspect of the reforms of unemployment insurance concerns the gradual residualization of the system in the 1990s by transferring claimants from insurance-based to means-tested benefits. The second tier of unemployment assistance has since 1994 gradually been dismantled by reducing the entitlement period from in principle indefinitely to 1 year, and from January 2000, entirely abolished. This means that a considerable number of claimants who have exhausted their entitlement for unemployment benefits are transferred to the general social assistance system without the interim system of unemployment assistance (Reissert 2001).

In sum, reforms of unemployment insurance in Germany during especially the latter part the 1990s suggest that comparatively strong social rights have been complemented by increased obligations.

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<sup>3</sup> The new rules state that claimants during the first 3 months of the unemployment spell must accept job offers rated at up to 20 percent below their previous wage, during the next 3 months 30 percent below, and after 6 months any job from which the net wage is higher than the unemployment benefit must be accepted.

<sup>4</sup> Indexing of unemployment benefits in accordance with wages has been suspended by law from mid-2000 to mid-2002. During this period the indexation was based on inflation instead of earnings (Reissert 2001: 20).

Access to the system is largely unaltered, while the passive system of unemployment insurance since 1998 has begun a slow conversion to a more active system emphasising claimants' social obligations with respect to job search behaviour and acceptance of job offers even in light of downward wage and occupational mobility. Additionally, the trend towards residualization of the system in the form of first the curtailment, and later the abolition of the second tier of unemployment assistance may be interpreted as a weakening of social rights within unemployment insurance.

### *Netherlands*

At the beginning of the 1990s, unemployment insurance in the Netherlands, as in Germany, was regulated primarily by the social insurance principle. The scheme is compulsory for all regular employees. The system has three tiers: the main unemployment insurance scheme, an extended benefits scheme, and finally a follow-up scheme. Membership is compulsory for all regular employees, and no distinction is made between part-time and full time employment.

Since a major reform package in 1987 basic eligibility criteria for unemployment benefits consisted of a minimum work history of 26 weeks within the past 52 weeks. Having satisfied this basic condition, the period over which the benefit is paid depends on the length of prior employment, with a minimum entitlement period of 6 months and going up to 2 years. Also, if the employee was employed for at least 3 years during the 5 years before becoming unemployed, the entitlement period is extended to a maximum of 5 years depending on work history and age of the claimant (Foster 1992: 417-18; van Oorschot and Boos 1999). On top of this, a follow-up benefit is available for 1 year for people under 57,5 years of age, and for claimants over 57,5 years of age the benefit is available up to age 65 if the requirement of 3 years of employment within 5 years is satisfied, and if this requirement is not satisfied the benefit is available for an additional 6 months.

Benefit levels for the main and extended unemployment insurance schemes are 70 percent of previous income up to an annually set maximum limit, while for the follow-up benefit they are 70 percent of the statutory minimum wage. In comparison with other European countries unemployment benefits in the Netherlands are thus fairly generous (Kvist 2002a: 235).

Throughout the 1990s the Dutch unemployment insurance system (along with other major welfare systems and particularly disability benefits) has undergone major reform (Visser and Hemerijck 1997). Two general trends may be detected in the reforms: harder access to benefits and a general expansion of active labour market policies to facilitate labour market participation and involving more obligations on benefit claimants.

The first trend covers reforms of the accessibility and generosity of the system. Eligibility and work requirement criteria were changed in 1991 and 1995 so that claimants must now have worked 26 weeks within the past 39 weeks (rather than the 52 weeks that were the case before) to be eligible. Additionally, the work requirements for the follow-up benefit has changed so that claimants now need 4 instead of 3 years of full employment within the past 5 years before becoming unemployed to qualify (Kvist 2002a: 234). More importantly, the '4 in 5 rule' was extended to also being a part of the eligibility criteria for the standard unemployment benefit (in addition to the normal criteria of 39 weeks of work within the past 52 weeks) (van Oorschot and Boos 1999: 22). Consequently, during the 1990s access to unemployment insurance benefits has become harder.

Additionally, the entitlement period of the follow-up benefit was extended from 1 to 2 years for claimants under 57,5 years of age, while it remained unchanged for those over 57,5 years of age. Other reforms of the 1990s pertaining to the generosity of benefits include new indexation rules in 1991, and temporary suspensions of the indexation of benefits in the years 1993-95 have all meant that benefits have become somewhat less generous (Green-Pedersen 2002: 75). The suspension of benefits in the years 1993-95 was attained through the intricate Dutch linking mechanism which conditions the uprating of benefits on the ratio between active and inactive persons in the labour market at the given time. If this ratio exceeds a predetermined maximum, the linking mechanism would be suspended (Hemerijck 2001: 9-10).<sup>5</sup>

The second tendency in the reforms of unemployment insurance has revolved around the intensification of active labour market policies. Active labour market policies have, much in the same line as in Denmark, been expanded considerably during the 1990s and claimants' obligations in relations to display active job search behaviour and participate in active policy measures have

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<sup>5</sup> The calculation of the ratio is based on the number of all people aged 15-64 entitled to a social security benefit divided by the number of employed people, measured in full time equivalents.



likewise gained further impetus (Cox 1998; van der Veen and Trommel 1999). This has been the case even in the context of marked decreases in unemployment to levels below those of the pre-crisis years of the early 1970s. Social obligations in unemployment insurance have always been present in the Netherlands, but the emphasis of employment policy has until recently traditionally been on the demand rather than the supply side (e.g. through wage subsidies and tax exemptions for employers).

Especially in the latter part of the 1990s supply side policies to improve the search behaviour and work willingness of claimants have been enhanced. First, as in other countries, claimants have gradually, after 2 years of benefit receipt, been obliged also to accept job offers that are below their previous level of education and qualifications (Hemerijck 2001: 8). Second, regulations for sanctioning of refusal to take up job offers have been tightened considerably. Before the 1996 Law on Sanctions and Penalties claimants who refused a job offer suffered a 1-month benefit withdrawal with authorities having the possibility of permanent exclusion until person accepts offer (the option of exclusion was rarely used). From 1996 authorities have become legally obliged to enforce maximum sanctions 'by the book' and to exclude claimants from the first refusal of job offer or participation in active labour market programmes; thus removing the discretionary powers previously inherent in the system (Kvist 2002a: 237). Third, from 1999, claimants of age 57,5 or higher are no longer exempted from the requirement of actively seeking work on equal terms with other groups of unemployed to remain eligible for benefits (van Oorschot and Wilthagen 2002: 15). This had otherwise been the practice since the early 1980s (van Oorschot and Abrahamsen 2002: 7).

Furthermore, since 1995 participation in active labour market programme has become compulsory in order to remain entitled to unemployment benefits. This requirement has gone hand in hand with a marked expansion of the active labour market programmes available offering new options of e.g. work training and education for the unemployed (see van Oorschot and Engelfriet 1999). Consequently, the 'active line' in employment policies has thus also become standard in the Netherlands throughout the 1990s.

In sum, developments in the Netherlands in the 1990s suggest a toughening of access to unemployment insurance, a slight reduction in the generosity of benefits and strengthened emphasis on compulsion in an expanding regime of active labour market policies. As in the Danish case,

reforms may be interpreted as a deterioration of social rights and more obligations from the perspective of claimants, but again the rise of obligations has also been matched by more and better employment policy programmes which in turn may be interpreted as a reinforcement of claimant' social rights. This means the developments are not unambiguous and do not offer any easy interpretation.

### *Italy*

At the beginning of the 1990s unemployment insurance in Italy consisted of a heterogeneous range of unemployment insurance schemes, mainly paid to some categories of workers. At the most general level, there is a two-tier structure in the delivery of benefits, reflecting the dualistic nature of unemployment insurance in Italy. Thus, one system exists for full-time workers in the 'core' sectors of the institutional and regular labour market, while another and less generous system exists for workers in seasonal and irregular employment.

First, the ordinary unemployment insurance covers all salaried employees in regular full-time employment in the private sector, but excludes workers in the building and construction industry (who are included in the special unemployment benefit scheme described below) and seasonal and occasional workers. Membership of unemployment insurance is mandatory for all employees, and the system is financed primarily by employers and employees and is managed centrally by the National Social Security Institute (INPS). To be eligible for the ordinary unemployment benefits claimants must have a history of at least 2 years of membership of an unemployment insurance fund, 52 weeks of contributions within the past 2 years, be capable of and willing to work and be registered at the labour office (Foster 1992: 367). Second, for workers in the building and construction industry (mainly employees in traditional 'industrial' sectors) the special unemployment benefit scheme applies, in which eligibility criteria consist of 43 weeks of contributions during the last 2 years. The benefit is payable to workers who have been laid off due to circumstances exogenous to the worker and employer, e.g. cessation of activity, completion of work, cuts in personnel or recession (MISSOC: several editions; Foster 1992: 367). Third, a mobility benefit introduced in 1991 exists in addition to the special unemployment benefit and is applied either after exhaustion of the special unemployment benefit, or directly in massive lay-offs

when it is impossible for the employer to continue its activities.<sup>6</sup> Eligibility criteria for the mobility benefit are 12 months of insurance and at least 6 month of effective work within a firm.

The replacement rate for the ordinary unemployment benefit is 30 percent of the average gross earnings received in the last three months before becoming unemployed. The level of compensation in the special benefit scheme is 80 percent of previous earnings, while for the mobility benefit the replacement rate is 100 percent in the first year and 80 percent subsequently (MISSOC 1992). Replacement rates for the special unemployment benefit and the mobility benefit are thus extremely generous.

The entitlement period for the ordinary unemployment benefits for 'core' workers is 6 months, and for the special unemployment benefit it is 3 months (with the possibility of extensions in special cases). The length of benefit entitlement for the mobility benefit is graded according to region (North/South) and age of the recipient, ranging from 36 to 48 months.

If eligibility requirements for the ordinary unemployment benefit scheme are not met, which is typically the case in seasonal and occasional employment, claimants may be eligible for yet another scheme: the part-time unemployment insurance. Requirements for this benefit are at least 78 days of contributions within the last year, and that the claimant must have registered on a placement list for at least 2 years. Additionally, the employer must make a claim on behalf of the claimant to the INPS. The benefit is paid out as an earnings complement comprising a remuneration of 80 percent of unworked hours between 0 and 40 a week for a maximum of 12 months, and with an absolute ceiling on benefits paid out in the last 6 months of the entitlement period. Consequently, the part-time unemployment benefit "tops up" income lost due to interruptions of full employment.<sup>7</sup>

Reforms of unemployment insurance in Italy in the 1990s have been modest in comparison with the other countries in the study, and also in comparison with other systems of social security in Italy (notably pensions). No major changes were made to eligibility criteria or the entitlement period of

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<sup>6</sup> The notion of "mobility" benefit derived from the fact that dismissed workers are placed on a so-called "mobility list" from which other employers may hire them in return for tax concessions.

<sup>7</sup> The partial unemployment insurance scheme is of considerable numerical importance in Italy since irregular workers constitute a sizeable proportion of the Italian labour market (in the range of 25 percent) (Ferrera 2001:185).

the unemployment benefits in the 1990s other than minor extensions of coverage of the special unemployment scheme (dell'Aringa and Lodovici 1997; Ferrera 2001). The cause for this fact may be attributed to more pressing reforms of social security in other areas, resistance from unions as well the marginal position of the unemployment insurance scheme itself.

However, few changes to the generosity of the system did occur. The replacement rate of the ordinary unemployment benefit scheme was extended from 20 to 30 percent of former income in 1993 and from 30 to 40 percent in 2001, and the entitlement period for unemployed workers of age 50 and up was extended from 6 to 9 months also in 2001 (FRDB Database; International Reform Monitor 2001: 43). This policy was carried out, first, in order to bring the generosity of Italian unemployment benefits closer to the EU average of replacement rates of 50-60 percent, and, second, to even out some of the internal differences in terms of generosity in the different unemployment benefit schemes. Also, testifying to the traditional generosity of the unemployment insurance scheme, an income ceiling on the income taken as reference for benefits was not introduced before 1994 (MISSOC 1993/1994). Moreover, in the partial unemployment insurance system generosity has also been reduced in that the number of hours remunerated were changed with effect from 1993 from a minimum of 0 to 24 hours per week (keeping the existing maximum of 40 hours), so that the fewer unworked hours than earlier are compensated by the scheme (MISSOC 1992/1993).

More importantly, recent efforts to implement a more proactive and efficient labour market policy in Italy have been the main focus of attention. Historically, developments in employment policy and the implementation of active labour market policies has progressed quite slowly in Italy, but during the 1990s several important reforms have been carried out. Traditionally, the centralised Public Employment Service (PES) was responsible for regulating a number of aspects of the labour market, most notably certification procedures of hiring and firing. In 1991, the legally defined rules that regulated the placing of people in vacant job position was abolished, and since 1998 new legislation has broken the public monopoly on employment servicing by introducing private sector actors in job broking, training and re-training, as well as decentralised the PES to regional level in order to facilitate a more efficient employment policy. From 2000, job placement of particular "risk groups": those with a poor work record, young people, long-term unemployed, and women, have been prioritised, and these groups will be actively registered as 'officially' unemployed (this was

most often not the case earlier). Additionally, being registered as unemployed gives the right to a job or training offer or interview after a maximum of 6 or 12 months of unemployment and thus facilitates the re-entry to the labour market. Failure to register as unemployed means losing status as unemployed, and rejection of a job offer within 50 kilometre of residence wipes out the claimant's unemployment record and thus some benefit entitlement (International Reform Monitor 2000: 46-47). However, social obligations are not new to benefit claimants. Finally, since the 1980s the possibility of applying sanctions in terms of a 30-day disqualification from benefits existed when a claimant receiving the special unemployment or mobility refused a suitable job offer or prescribed training (U. S. Department of Health and Human Services 1993: 171).

In sum, reforms in the 1990s of the unemployment insurance system in Italy, compared to the countries previously analysed, have been modest, save some improvements in the generosity of benefits. Apart from minor regulation, only the increase in the replacement rate from first 20 to 30 percent, and later from 30 to 40 percent of former income in the ordinary unemployment benefit has changed the working of the ordinary scheme. Thus, access conditions to unemployment insurance in Italy have not changed noticeably throughout the decade, and the system still provides strong social rights and few obligations in terms of unemployment to specified groups of core workers, but fairly poor social rights to other employment groups as well as people in irregular employment. Equally important to remember in this respect is the fact that core workers enjoy strong employment rights and protection from dismissal, whereas this is not the case for irregular workers; a fact that has become increasingly accentuated since the 1960s (Fargion 2001: 38). As a consequence, segregation in terms of social rights for different groups of employees still is an important feature of unemployment insurance in Italy.

### *Hungary*

The young Hungarian unemployment insurance system established in 1989 has undergone significant changes in its short life span due to the economic and social shocks associated with the transition from a socialist to a market-driven economy. Likewise, the social security system as a whole has witnessed major reforms in the post-communist era.

At the beginning of the 1990s unemployment insurance is mandatory and covers all wage earners and salaried employees. Eligibility criteria are 18 months of employment within the past 3 years,

and the initial entitlement period in the 1989 scheme was 1 year but was quickly extended to 2 years in 1990. Benefits are income-related and regressive over the unemployment spell, so that claimants receive 70 percent of past earnings during the first 6 months of unemployment, 60 percent during the following 6 months, and finally 45 percent of past earnings during the last year of entitlement (Micklewright and Nagy 1998: 157f). Benefit levels are, unlike in most other countries, not indexed according to developments in wages or inflation (OECD 1995: 79). A maximum ceiling on benefits has been set at 3 times the minimum wage, and from 1990 the minimum benefit level was also established at 80 percent of the minimum wage. The system is financed jointly by employers and employees with subsidies from the state to the Solidarity Fund under the supervision of the Ministry of Labour.

Reforms of unemployment insurance in Hungary during the 1990s have made significant restrictions both on eligibility criteria, the entitlement period as well as the generosity of benefits. These reforms have not least been facilitated by the skyrocketing unemployment in Hungary rising from practically nil in the late 1980s to almost 14 percent in 1993. The following sections summarise the reforms of the unemployment insurance scheme.

In 1991 the entitlement period of unemployment benefits was linked more closely with the work record of the claimant. The entitlement period is now graded from 6 to 24 months depending on employment record during the past 4 years, and a minimum record of 1 year of employment within the past 4 years is required as a minimum for eligibility for the system (and 4 years of uninterrupted employment for the maximum benefit duration). Effectively, this reform has reduced the entitlement period for most groups of claimants as well as reduced the minimum entitlement to 6 months. Furthermore, benefit rates have been restructured so that recipients now receive 70 percent of past earnings during the 1<sup>st</sup> half (“period 1”) of the entitlement period and 50 percent during the 2<sup>nd</sup> half (“period 2”). The income taken as reference is now the last month’s basic wage plus bonus payments earned during the previous 12 months (Micklewright and Nagy 1998: 158). Finally, a new set of sanctions in case of voluntary quitting from a job or refusal of a job offer now results in the possibility of a 3-month suspension of benefits.

In 1992 further cuts in the scheme were made. First, the “period 2” of the entitlement period was cut by 50 percent. Second, the base for calculating former earnings to be replaced was extended to

include incomes from the 4 last completed calendar quarters.<sup>8</sup> Further reductions of benefit generosity were also instated in that the maximum benefit was reduced from 3 to 2 times the minimum wage. Finally, a waiting period for claimants who enter the system through job loss with severance pay was created in which the waiting period is equal to the length of the severance pay (with a maximum of 6 months).

During 1993 further restrictions were made to the unemployment insurance system. First, the entitlement period was cut further so that it now was equal to only the “period 1” of the 1991 scheme; in effect constituting a new maximum entitlement period of 12 months. Additionally, replacement rates were increased slightly so that during the first quarter of the entitlement claimants receive 75 percent of former income, whereas during the rest of the entitlement period the replacement rate is 60 percent. Also the maximum benefit was reduced slightly, so that it now constitutes approximately 1.75 rather than 2 times the minimum wage (World Bank 1996: 26). Finally, sanctions in case of voluntary quitting in the form of benefit suspensions was raised from 3 to 6 months.

Since the mid 1990s some changes of significance have taken place. In 1996 the replacement rate of unemployment benefit was made uniform at 65 percent of previous income throughout the entirety of the unemployment spell (Laky 1999). Since 1997 the method for establishing the minimum and maximum benefit was changed so that the reference income concept now is 90 percent of the rate of the old-age pension for the minimum benefit and 180 percent for the maximum benefit (rather than minimum income) (Vodopivec et al. 2003: 17). Also of major importance, from February 2000 the maximum entitlement period of unemployment benefits has been reduced by 25 percent from 360 to 270 days, and the minimum entitlement period from 3 months to 50 days (Laky 2002: 103).

Active labour market policies were introduced in Hungary in the late 1980s (Laky 2000:82ff). Since the early 1990s the implementation of active labour market programmes has been halted both by

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<sup>8</sup> As pointed out by Micklewright and Nagy (1998: 157), benefits tend to become less generous when the period over which past earnings for benefit calculations are defined increases. This is the case because past earnings are not indexed according to inflation in the benefit calculation. Also taking into account the fact that benefits are not indexed, it is estimated that the average ratio of unemployment benefits to indexed past earnings has fallen from 72 percent in the Spring of 1992 to 53 percent in Spring 1994.

endogenous problems, organisational deficiencies and insufficient funding of the public employment services, as well as exogenous factors; notably the sharp rise in the stock of unemployed in the early 1990s. From the mid 1990s more active programmes have been created and existing programmes consolidated, and spending on active labour market policies in Hungary has been among the highest of the transition countries (OECD 1995). In mid-1995 the government introduced a new public work employment programme for benefit exhausters that, by means of a short period of public work, would enable them to regain entitlement. In addition, subsidised jobs became available as well as financial aid to start up one's own business equal to 6 months of unemployment benefit (Galasi and Nagy 1999: 5).

In terms of developments of the balance between social rights and obligations, active labour market policies on the supply side seem to be directed more towards incentives than sanctions. For example, from 2000 claimants who enter training programmes whose duration is longer than their entitlement period may have their unemployment benefits prolonged to the end of the training programme (up to a maximum of 365 days from the beginning of the training period) (Laky 2000: 83). Additionally, while the disqualification period from benefits have been raised twice during the 1990s, from 1 to 3 months in 1991 and from 3 to 6 months in 1993, empirical studies show that sanctions are rarely applied. For example, Micklewright and Nagy (1996) find that in Hungary only 4 percent of unemployment spells ended with disqualification from benefits. This is also due to the poor capabilities of the supervising employment offices whose purpose it is to check that claimants are actively seeking work.

In sum, the review of reforms presented here suggests that social rights to unemployment insurance in Hungary have eroded significantly during the 1990s. Eligibility criteria have been tightened, the entitlement period cut, and the generosity of benefits reduced.<sup>9</sup> Consequently, developments in

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<sup>9</sup> Another important point of the Hungarian developments, which is not evident from this presentation but which also deserves attention, is the relative mass-transfer of recipients especially during the early 1990s from insurance-based unemployment benefits to the means-tested Unemployment Assistance scheme. As is shown by Micklewright and Nagy (1998), depletion of unemployment benefit entitlement for the majority of the unemployed has reduced the coverage of unemployment insurance significantly and made the Unemployment Assistance scheme the most common form of benefit received by registered unemployed (since 1997 more than 40 percent of registered unemployed received this benefit amounting to 80 percent of the minimum old-age pension but with a quite tough means test) (Laky 2000: 83). The Unemployment Assistance scheme experienced some retrenchments during the 1990s, and it was cancelled as of



Hungary clearly display a retrenchment of social rights within this field of social security. On the other hand, while social obligations and sanction possibilities have formally been tightened, empirical evidence shows that Hungary still practices a fairly passive and weak obligations regime. Obviously, this fact owes much to the, compared to the other countries in the study, limited developments in, and financing of active labour market policies.

*Conclusion: Social rights and obligations in unemployment insurance in the 1990s*

The survey of accessibility criteria, and reforms of unemployment insurance in the 6 countries has revealed a great diversity of schemes and reform paths. Unemployment insurance schemes in the countries included are very different in structure and organization, and they offer different 'packages' of social rights and obligations (Kvist 2002a). In some countries, e.g. Denmark, Germany and (for some groups of worker) Italy, social rights are strong, providing generous benefits for comparatively long periods of time. In other countries, e.g. the UK and recently Hungary, social rights are comparatively weak in terms of the generosity of benefits and the entitlement period of benefits is short.

A common trend in the countries during the 1990s, with the exception Italy and Germany, is that access to unemployment insurance has become harder through the introduction of harder eligibility criteria. Both in Italy and Germany access criteria were already fairly hard at the beginning of the 1990s and have largely remained unchanged. Furthermore, in most countries the link between social rights and obligations has become much more pronounced. This is not least because social obligations on the form of actively seeking work and participating in active labour market programmes have intensified considerably during the 1990s, and the sanctions available to back up these obligations have likewise become stronger.

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May 2000 and replaced with Social Aids granting a benefit of 70 percent of the minimum old-age pension in return for accepting a 30-day public service job.

### ***Reforms of social assistance in the 1990s***

Social assistance benefits provide the last public means of cash support for individuals and families whose other possibilities of making ends meet have exhausted. Thus, in most cases social assistance is delivered as a residual and last safety net to people who for various reasons have become unable to support themselves due to e.g. unemployment or incapacity and/or lost entitlement for other types of social security benefits.

Social assistance schemes in Europe are typically of a “general” nature covering a wide variety of social contingencies, and in most cases eligibility rests only on the condition of having insufficient resources to cater for oneself and one’s family. Hence, the question of eligibility is assessed via a means test taking into account the financial and other resources of the individual and typically the household as a whole. Consequently, the main objective of social assistance schemes is to prevent income poverty; even though in reality this goal is not always attained. In addition, social assistance schemes have historically often emerged within the legislative framework of the poor laws in the different European countries, and they still display some of the traits of this tradition in terms of stigmatisation and penalization of claimants (Ashford 1986; de Swaan 1988).

Another important characteristic of European social assistance schemes in respect to the research question of access to social rights and the balance between social rights and obligations is that social assistance benefits in recent time have become increasingly conditional. This emerging feature of social assistance has in the research literature been described as “workfare” or “welfare to work” policies (Standing 1990; Lødemel and Trickey 2001). Workfare or ‘welfare to work’ thus signifies the linking of benefits to some form of work accomplishment in the sense that in order to remain entitled to benefits claimants must continually engage in often semi-compulsory work or training activities. What is meant by compulsion in this context is therefore that non-compliance with statutory requirements of fulfilling social obligations may result either in reduction of benefits for a period of time or loss of benefit entitlement.

Empirical studies show that work fare-like policies, albeit in a multitude of forms and implementations, have since the 1980s been implemented in most European welfare states. The countries in this study are no exception to this trend. As will be shown in this section, rising obligations in social assistance schemes in terms of having to perform different work or training

tasks under the risk of increasingly severe sanctions for partial or non-compliance is a visible trend in most countries. However, while the concept of workfare originates in the Anglo-Saxon countries, in Western Europe the notion of ‘activation’ or ‘insertion’ is more commonly used to describe this aspect of labour market policies (Hvinden 2000). The distinction between workfare and activation is useful since in most Western European countries participation in active labour market programmes involves much more than just working for benefits. Political commitment to, and spending on active labour market policies in Western Europe is high compared to the Anglo-Saxon world, and usually a wider range of policy options for benefit claimants: training, education, subsidised employment etc. have been created. Consequently, ‘activation’ might be conceived as the distinctly Western European form of implementing active labour market policies compared to the Anglo-Saxon world (Lødemel and Trickey 2001).

Finally, an important methodological and empirical point related to studying social assistance is that policy changes in social assistance schemes and their outcomes typically are less well documented in official documents and analysed in the research literature than is the case in e.g. unemployment and family benefits (Saraceno 2002a: 18). This is not least because social assistance systems have often been considered to be on the “border” of the welfare state and have not been the object of systematic scrutiny. Fortunately, in recent years a number of comparative studies have tried to conduct systematic comparisons between social assistance schemes in a comparatively large number of Western countries (see Kemppainen 1992; Eardley et al. 1996; Gough et al. 1997; Ditch and Oldfield 1999; Heikkilä and Keskitalo 2001; Lødemel and Trickey 2001). Consequently, from these and other studies more light has been shed on the workings of social assistance schemes in the Western world.

### *Denmark*

In Denmark, a modern system of social assistance was instated in 1976 with the coming into effect of the Social Assistance Act. The new system was modern to the extent that it provided a coherent body of laws stipulating claimants’ legal rights to social assistance that replaced the former system of discretionary social assistance benefits organised by municipalities (Jonasen 1997).

At the beginning of the 1990s social assistance in Denmark is available to everybody above the age of 18 with insufficient income to maintain a living. The assessment of eligibility is carried out

through a means test of the resources of the claimant also taking into account the resources of the household as a whole, and as in the other Scandinavian countries the means test is quite strict by international standards. This is not least the case in Denmark because social assistance, given the comprehensiveness of the Danish social security system, is considered to be a final and residual form of income available to a small number of citizens with no other forms of social security. Social assistance benefits are paid out at a basic flat rate, and housing and child benefits are available if additional eligibility criteria are fulfilled. Furthermore, claimants of social assistance are required to be available for, and actively looking for work. The system is maintained decentrally by municipalities that administer both benefits and labour market programmes. The costs of social assistance are drawn from general taxes and paid by municipalities, but with a 50 percent reimbursement from the state.

Reforms of social assistance in Denmark during the 1990s have been quite extensive, and changes in the system have aimed almost exclusively at reordering the balance between social rights and obligations and to induce more conditionality in benefits (Abrahamson 1992, 1998; Torfing 1999; van Oorschot and Abrahamsen 2002). The new paradigm has primarily been instated through the expansion of active labour market programmes that have grown significantly in the 1990s to cover most groups of social assistance claimants in what has been dubbed a new “active approach” (Etherington 1998). This section describes the development of social obligations within the framework of active labour market policies in social assistance in Denmark.

During the 1980s liberal governments began the expansion of active labour market policies both on the demand side by offering wage subsidies to employers, as well as on the supply side by improving education and work training especially for young unemployed recipients. Initially, special programmes were created for young unemployed mostly based on voluntary or semi-voluntary attendance. This changed in 1990 with the introduction of the Youth Allowance Scheme (YAS) for 18 and 19 year old unemployed persons, which is considered the first clear-cut example of a compulsory scheme in Denmark (Lindsay and Mailand 2001). In the YAS claimants have the formal right and obligation to engage in education or training offers no later than 2 weeks after they sign up for social assistance. Failure to satisfactorily comply with YAS offers results in termination of benefits. During the yearly 1990s the YAS was extended to include 20-year olds (1991), 21-24 year olds (1992) and most groups of unemployed over 25 years of age (1994), while also the length

of the education and training offers were extended. The trend of the early and mid 1990s thus signals a 'creeping' expansion of compulsion in social assistance to include older target groups.

The fully-fledged extension of the "active" regime materialised in 1998 with the coming into effect of the Act on Active Social Policy Act that replaced the original 1976 Social Assistance Act. First, the act legally stipulates the right and duty of all groups of social assistance claimants to actively seek work or engage in active labour market programmes. This "right and duty paradigm" applies to all claimants over 30 years of age, but since the YAS at the same time was extended to include all claimants less than 30 years of age, the entire population of social assistance claimants are now covered by similar regulations. Second, the act toughens work and availability criteria and stipulates that claimants, under a new and wider definition of occupational and geographical mobility, must accept any job or training offer deemed 'reasonable' by municipal authorities. Refusal of reasonable offers are penalised by termination of benefits. Third, while municipalities could earlier sanction non-compliance with discretionary reductions of benefits within narrow bands, the new act allows for a 20 percent deduction of benefits (30 percent from 2000) when claimants are considered to be neglecting their obligations of attending education or training. Furthermore, from 2000 a government order allows municipalities to legally interpret repeated incidences of neglect or failure to attend active labour market programmes as a *de facto* refusal of a training offer resulting in termination of rather than deductions in benefits.

Viewed in total, reforms of social assistance in Denmark during the 1990s have first and foremost aimed at strengthening the ties between social rights and obligations. This aim has been obtained by linking social rights more closely with the fulfilment of new and tougher obligations and to apply new and harder sanctions in cases when claimants do not meet these obligations. Consequently, compared to the 1980s social assistance in Denmark has during little more than a decade undergone a paradigm shift from a mainly passive benefit regime to an "active" approach (Abrahamson 1998; Rosdahl and Weise 2001). On the other hand, as was also the case with unemployment benefits, the new emphasis on social obligations has also been met by an expansion of the range and quality of active labour market policies available to upgrade claimants' employability.

### *The United Kingdom*

At the beginning of the 1990s the national social assistance scheme in the United Kingdom is Income Support, introduced by the Thatcher government in 1988 as a replacement for the previous system of Supplementary Benefits. As in Denmark, eligibility is based on demonstrable need and is available for all citizens from age 16 and up (Ogus et al. 1995). Entitlement is established through an elaborate means test taking the household resources as the reference, and the claimant must be involuntarily unemployed and actively seeking work. Benefits are flat rate at different levels according to social situation (dependent children in household, lone parents etc.) and age, and claimants of Income Support may also be eligible for extra single payments and cash-limited grants through the Social Fund. Benefit levels are quite low by international standards, as is typical in the liberal welfare state and minimal unemployment regime. The system is funded through general taxes and administered at the state level through regional offices.

Reforms of social assistance in the United Kingdom in the 1990s are closely intertwined with the reforms of the unemployment insurance system, since various governments since the late 1970s have persistently tried to retrench the insurance-based unemployment benefits and move the unemployed to the Income Support scheme. Consequently, a large number of unemployed with depleted unemployment benefit entitlements migrated to Income Support during the 1980s and early 1990s (Eardley et al. 1996: 41), and the sheer volume of the clientele in the scheme has increased considerably.

As for reforms of the accessibility of Income support in the early 1990s, not much happened. However, as was also the case with unemployment benefits discussed earlier, the 'stricter benefits regime' of harder enforcement and surveillance of work availability also became manifest within the administration of Income Support (Trickey and Walker 2001: 186f; van Reenen 2001). Some changes of eligibility induced to promote cost savings did come about during the early 1990s, but these reforms did not deal so much with the Income Support scheme itself as with its 'add-on' programmes. Hence, some tightening of eligibility for child support and a narrowing down of the circumstances in which assistance with housing costs were available were carried through (Ogus et al. 1995: 459, 500-507; Eardley et al. 1996: 137). Taken together, these changes all decreased the generosity of the social assistance income package, especially for families with children.

Rather, in 1996 Income Support was cancelled and the Income-Based Jobseeker's Allowance (IBJA) was introduced (along with its insurance-based counterpart discussed earlier, the Contributory Jobseeker's Allowance). The IBJA is similar in structure to Income Support, i.e. it maintains the eligibility criteria and benefit rules of Income Support, but the social obligations of claimants to engage in, and rigorously document job-seeking activity, and from 1998, the obligation to participate in the New Deal programmes in order to retain entitlement have extended considerably (currently participation is compulsory for young people and long-term unemployed, see Bottomley et al. 1997; Powell 2000). This is especially evident in the claimant's *Jobseeker's Agreement* that spells out the actions that claimants must undertake to regain employment and/or improve employability. Furthermore, the administrative possibilities of applying penalties in terms of disqualification from or reductions of benefits in cases of non-compliance or misconduct have increased, and the executive power over these decisions has been relegated almost exclusively to individual claimant advisers (Peck 1999; Peck and Theodore 2000). Thus, sanctions have not gotten harder than was the case with the Income Support scheme, but changes in legal and administrative procedures have made sanctions more likely to be deployed.

In sum, reforms of social assistance in the 1990s in the United Kingdom suggest, that while accessibility to social assistance has not changed, then some elements of workfare have clearly been reinforced, especially since the introduction of the IBJA in 1996. These developments, as in Denmark, signify a closer relationship between social rights and obligations associated with the receipt of social assistance benefits. In addition to the tendency towards tightening the "traditional" social obligations of actively seeking employment evident in the 1990s, also qualitatively "new" obligations have emerged in the form of increasing compulsion towards participation in the New Deal active labour market programmes. In unison these developments suggest a rise in the importance of social obligations in social assistance in the UK.

### *Germany*

The contemporary German system of social assistance, *Sozialhilfe*, was established in 1962 as a last means of providing income for people with no other sources of income. The system was designed to provide short-term benefits for people with insufficient or depleted social insurance coverage, and it has therefore been described as 'the safety net beneath the safety net' (Brooke-Ross and Zacher 1983).

At the beginning of the 1990s social assistance was available to everyone except students with an income below a set minimum level, also provided that the person have exhausted claims to other 'higher-level' insurance-based benefits (MISSOC 1992: 214). A means test is carried out taking the household income including other allowances as the reference point for determining eligibility. In principle, also the resources of the claimant's close family, i.e. parents and adult children, must be taken into consideration, but this principle is rarely applied (Eardley et al 1996: 165). Benefits are paid out flat rate at different level according to the household composition and age, and extra benefits for children and housing (in addition to the general housing benefit), as well as single payments for particular urgent contingencies may apply. Benefit rates are set by the individual Länder, but within regulations from the federal government. Additionally, the claimant must be capable of and actively seeking work, as well as willing to accept job offers or activation provided by the public authorities. Since 1996, a penalty cut of a minimum of 25 percent of the benefit may be imposed in cases where a claimant refuses to take up work that he or she can reasonably be expected to do (MacKay 2001: 307). Local authorities administer the social assistance scheme, and the funding is drawn from general taxes with the expenses shared between the regional government (25 percent) and the local authorities (75 percent).

As was the case with unemployment benefits, the unification has been an important factor in hampering major reforms of social assistance in Germany. Social assistance benefits have since the early 1990s had an important impact on curtailing poverty arising from the increasing social problems and level of unemployment in the new Länder; a fact that is evident from the steep increase in the number of social assistance recipients in both the old and new Länder.

Consequently, the main focus of reform of social assistance in Germany has been to check the costs of the programme. For example, at the end of 1992 the minimum age for eligibility for the age related extra supplement to social assistance was raised from 60 to 65 years of age (Eardley et al. 1996: 175). From November 1993 asylum seekers were excluded from the scope of the Federal Assistance Act governing social assistance (and granted a special and less generous benefit), and since 1994 there has been an increasing focus on combating fraud in the system (*ibid.*: 175). At the same time, the legal powers of the Länder in recovering benefits from liable persons have been extended (*ibid.*: 175). Furthermore, uprating of social assistance benefits were suspended in the



years 1993, 1994 and 1996 (Mackay 2001: 326). Also, before 2000 social assistance claimants with valid unemployment insurance contributions in 5 of the past 12 months (as well a few other groups) would qualify for the more generous unemployment assistance benefits. From 2000 this possibility was cancelled (Adema et al. 2003: 15).

Improvements in the scheme, mainly because the target population of social assistance generally has tended to include increasing numbers of older and vulnerable persons, have also been implemented. In two stages in 1993 and 1997, access to health, pension and invalidity insurances for social assistance claimants was improved. Prior to these reforms, social assistance claimants with special care needs due to age or physical problems for the most part had to pay for special care facilities or hired staff themselves. From 1995 public aid both in cash and in kind became available at no or reduced costs (predominantly) for older claimants, and consequently access to cover special health related needs (Eardley et al. 1996: 175).

Active labour market policies in Germany for social assistance claimants have traditionally been quite weak and inefficient. This fact pertains partly to the residual nature of the social assistance scheme and because of poor cooperation and coordination between the public agencies handling labour market policies: the public employment service for insured unemployed and the municipal social service agencies at the local level (Heikkilä and Keskitalo 2001: 132-33). As a consequence, employment policy and activation of social assistance claimants is now mainly effectuated at the local level in municipalities. However, in recent years a renewed emphasis on active measures mostly through the “Help Towards Work” programmes aimed at bringing social assistance claimants back to the labour market has emerged. These “Help Towards Work” programmes have also increasingly targeted claimant groups that were not earlier required to participate in employment programmes, notably single parents with children more than 3 years of age.

Furthermore, claimants’ obligations to accept offers other than “regular” jobs have intensified somewhat during the 1990s. From 1996, claimants must in addition to regular job offers also accept work offers and temporary jobs in public employment programmes to remain eligible for benefits (*ibid.*: 133, 180). The main tendency in activation policies through the “Help Towards Work” programme is that claimants are increasingly subjected to temporary public work-for-benefit schemes rather than training or other means of skill improvement. Recent figures show that almost

50 percent of claimants considered able for work were engaged in work-for-benefit activities (Adema et al. 2003: 34), meaning that workfare-like schemes have become more important in German activation of social assistance claimants.

In addition, the test of work willingness has also increased in that a more comprehensive notion of the claimant's qualifications has been instated, and consequently a wider variety of job offers must be accepted. The penalty for the first refusal of a reasonable job or training offer is a minimum 25 percent cut in benefits, and from the second refusal a 50 percent reduction or termination of benefits may be imposed (Heikkilä and Keskitalo 2001: 79, 133). The tendency in Germany since the mid 1990s is that enforcement of sanctions has become much stricter compared to the early 1990s (Adema et al. 2003: 18). However, even when termination of benefits occurs municipalities are still legally obliged to pay a minimum of money to the recipient.

In sum, developments in Germany suggest that while the social rights associated with receiving social assistance benefits have not changed much during the 1990s, then the social obligations of claimants have become moderately more important. This being said we do observe a restriction of access in that asylum seekers are excluded from benefits and older claimants' access to the age-related supplement has been tightened. The rise in obligations is mainly related to the requirements of accepting new types of "irregular" jobs, but also tests of claimants' work willingness and administrative sanction possibilities have intensified. However, by and large developments in Germany in the 1990s may be considered as a consolidation of the existing social assistance regime (Ditch and Oldfield 1999).

### *Netherlands*

The Dutch system of social assistance dates back to poor law legislation of 1854, but the modern system was constructed in the National Assistance Act of 1965. As in the other countries in the study, access to social assistance benefits at the beginning of the 1990s is based on demonstrable need, and the system is intended to re-enable claimant over 18 years of age with insufficient resources to provide for him/herself again (MISSOC 1992: 209). To assess entitlement, a means test is carried out taking all income assets of the household into consideration. Also, the claimant must be able to work, active seek work and be willing to accept job offers provided through the regional employment office. Benefits are flat rate at different levels according to family situation and age,

and benefit levels are tied to the national minimum income. The social assistance scheme is largely financed by the central government from general taxes but administered locally by municipalities. The municipalities deliver social assistance benefits through their social services departments, and they also receive additional resources to fund job creation programmes and purchase services for particularly vulnerable groups of unemployed persons (Finn 1998).

Reforms of social assistance in the 1990s in the Netherlands have, as was also the case of unemployment insurance, mainly focused on cost containment and developing and consolidating active labour market policies. To begin with the issue of cost containment, the central government has traditionally financed most of the costs of local social assistance payments compared to local authorities (by a share of 90:10 percent) (Eardley et al. 1996: 274). Since the mid 1990s debates on altering this financing mechanism have been prominent in public discourse. From 1999 this feature of the financing mechanism has been changed, and there is now a fixed budget for these payments based on historical expenditure figures. At the same time, within this tighter budget municipalities have been granted more discretion in allocating their funds (Finn 1998).

Furthermore, the National Assistance Act was reformed in 1996 and the different categories of social assistance recipients (able bodied, young, long-term unemployed, lone parents etc.) have now been replaced by the general philosophy that all those who need assistance and who can work should seek to obtain an income by participating in the labour market. Social assistance benefits should only be provided for those who are unable to get jobs and benefit levels should be set at rates that are sufficient but which preserve incentives to work (Finn 1998). As a consequence, benefit rates have in the same reform been cut from 70 to 50 percent of minimum income for single people and from 90 to 70 percent for single parents (Eardley et al. 1996: 287). Other less obvious retrenchments in the generosity of benefits also occurred in the 1990s. The uprating of social assistance benefits is tied to developments in the national minimum income. The minimum income was frozen in 1993 by the central government (and in the 1984-1990 period) resulting in a reduction of the real value of social assistance benefits (Eardley et al. 1996: 278; Spies and van Berkel 2001: 114-15).

Active labour market policies have long been a central feature of Dutch employment policies. As in Denmark, observers suggest that a paradigmatic shift from a passive to an active policy has taken

place during the 1990s (Becker 2000; Spies and van Berkel 2001). Also quite similarly to the Danish case, activation involving compulsion and workfare emerged from policy measures directed towards young unemployed and since been expanded to other groups of social assistance claimants, notably the long-term unemployed (Spies and van Berkel 2001: 105). The Youth Employment Act that became operative in 1992 stipulates that people aged 18-22 with an unemployment record of 6 months no longer had the right to social assistance benefits but rather rights to a minimum job. The minimum jobs consist of various options of subsidised work and training, and participation is compulsory for all young benefit claimants under the possible sanction of a 1-month benefit withdrawal if the minimum job is refused or neglected. Additional programmes also existed for the long-term unemployed, but these were not compulsory. Furthermore, the 1996 reform of the National Assistance Act discussed above also tightened work availability criteria in that lone parents with children over 5 years of age (instead of 12 years of age) must now be available and looking for work and activation. Also, the definition of suitable work was subject to change in that social assistance claimants must now accept job offers well below their educational and former occupational level (van Oorschot and Engelfriet 1999; MacKay 2001: 326).

The Jobseeker's Employment Act of 1998 integrated much of the previous policies for young claimants and long-time unemployed within one framework as well as expanded active labour market policies. Participation is mandatory for both young unemployed until they reach the age of 23 and the long-term unemployed. The policy options consist of either schooling or training, subsidised employment with a regular employer, working on secondment in an additional job with a regular employer in the public or private sector on the basis of a contract with a municipal work organization, and finally social activation. Of these 4 options only subsidised employment with a regular employer offers activation on conditions with respects to rights and obligations that are normal to the standards of the Dutch labour market, while the others are predominantly directed towards workfare (Spies and van Berkel 2001). Sanction possibilities in case of refusal are the same as earlier: a 1-month exclusion from benefits. However, as in Germany the significance of sanctions has increased compared to earlier in that sanctions since a 1997 law stipulates that sanctions must now be applied rigorously according to type of misbehaviour and a fixed penalty (van Oorschot and Engelfriet 1999). Consequently, the discretionary powers municipalities previously held in deciding when to apply penalties and the extent of sanctions have been removed.

In sum, policy developments in the Netherlands indicate that a major shift in the nature of social assistance has taken place. Access to benefits has changed for young unemployed in that they no longer are formally eligible for the standard social assistance benefit, but rather for a minimum job scheme in which entitlement is based on satisfactory participation in a workfare scheme. Furthermore, expansion of active labour market policies have extended the activation and work oriented approach to other groups of unemployed people, as well as reinforced the social obligations (work availability criteria, definition of suitable employment) that claimants must fulfil in order to remain eligible for benefits. Additionally, this active approach has been backed by more stringently applied sanctions. This clearly suggests that social obligations are becoming more important in Dutch social assistance, but, as in the Danish case, the increase in enforced participation in activation is also met by an expansion of public investment in active labour market programmes. As is remarked by Spies and van Berkel (2001), in these respects active labour market policies in the Netherlands are somewhat similar to those pursued in the Scandinavian countries.

### *Italy*

Italy, along with most of her Southern European counterparts, has not until very recently created a social assistance scheme as part of the national welfare state (presently Greece is the only Southern European country with no national minimum income scheme). The reason why this is the case are numerous, but the traditional family-oriented model of social security that characterises Italy in which relatives and the institutions of civil society traditionally have catered for the poor and needy is an important explanatory factor (Ferrera 2000, 2001).

Before 1998 social assistance in Italy existed only in at the local level. Social assistance programmes were then targeted at specific groups rather than general social need: orphans, drug abusers, homeless people etc. (Eardley et al. 1996: 231). These programmes, of which the *Minimo Vitale* was the most comprehensive scheme, were administered exclusively by local authorities with the aid of churches and voluntary associations, and benefits rates, regulations and administrative practices varied considerably. Following national political debates and recent EU recommendations that member states should provide a national minimum income scheme, a new experimental social assistance programme was launched in 39 municipalities in 1999 (Ferrera et al. 2000: 121), and from 2001 the scheme was extended to all of Italy.

The new national framework for social assistance introduced in 2001, the *Reddito Minimo D'Inserimento* (RMI), has simplified and standardised the regulation of minimum income. Delivery of benefits remains at the local and regional level. The RMI is available to every citizen out of work and whose resources are below a threshold set by local authorities. The benefit is means tested taking most assets in the household assets as reference. The benefit entitlement period is formally time-limited in most cases, but mechanisms to extend entitlement once eligibility has been reasserted exist. Benefit rates vary by region but are generally set at a calculated subsistence level using at common socio-economic "Indicator of Economic Situation" taking the social and family situation of the household into consideration (Baldini et al. 2000: 10-11). Generally, claimants are expected to be willing for work and actively engage in any training offers that might facilitate their return to the labour market. However, while these requirements exist the administrative surveillance of claimants' availability for work is considered not to be very efficient (Saraceno 2002b: 281).

Active labour market policies associated with the RMI are administered at the local level, and claimants capable of working are legally obliged to participate in remain eligible for benefits. A compulsory agreement is signed which stipulates the recipient's obligations of seeking work and engage in employment programmes. The sanction possibility in case of refusal is suspension of benefits, although in practice this option is rarely used (Heikkilä and Keskitalo 2001: 136). On the other hand, the local employment offices are also obliged to offer the adequate tools and resources to facilitate reinsertion into the labour market. In this respect the philosophy behind Italian active labour market policies in the RMI is more inspired by the French and Continental European 'insertion' approach than Anglo-Saxon workfare tradition (Fargion 2001: 63-64).

While it is too early to draw conclusions on future developments of social assistance in Italy, the introduction of the RMI in 2001 has resulted in important improvements of the social rights for marginalized groups in Italy. Furthermore, given the recent coming into being of a national social assistance scheme in Italy, neither dramatic retrenchments of benefits nor the application of extensive workfare policies has been detected. On the other hand, at the beginning of the 1990s Italy was lagging behind the other Western European countries in the provision of a minimum income scheme.

### *Hungary*

At the beginning of the 1990s social assistance in Hungary is in many respects similar in structure to the Western European countries included in this study, but it also has some important idiosyncrasies. A first tier of regular social assistance exists that provides benefits for people over 18 years of age with insufficient resources. Additionally, an “irregular” social assistance scheme exist that delivers single payments for special social contingencies in which the claimants has no other possible sources of income (World Bank 1992: 89). In the regular social assistance scheme the maximum entitlement period is 24 months, but this period is comparatively easily renewed (Vodopivec et al. 2003: 23). In the “irregular” social assistance system payments may be granted up to a maximum of 6 times per year. Benefits are flat rate and benefit levels in the regular social assistance scheme are tied to the level of the widower’s pension that is quite low by international standards, and it is generally accepted that social assistance benefits are inadequate in preventing income poverty.

In contrast to most other countries, in Hungary no definition of legal entitlement to social assistance benefits based on objective criteria of income or assets exists. The decision to grant social assistance benefits is relegated to local councils that have the full discretion in determining eligibility according to local guidelines and practices. Thus, eligibility criteria for social assistance are not legally defined nationally. The local councils, of which approximately 3000 exist, were formed as a result of a reorganization of local government services in 1990. The councils administer claims for social assistance and adopt the policy practices they see fit. Empirical evidence suggests that practice in the local councils when determining entitlement varies considerably across the country ranging from quite smooth to extremely bureaucratic (*ibid.*: 89).

Social assistance benefits are mainly funded by grants from the central government (about 80 percent of budgets are financed by grants) but also from local taxes (*ibid.*: 88). The size of the grants that are provided to cover social assistance and social service expenditure is based on the demographic composition of the population and enrolment in educational institutions. Thus, the allocation formula does not take into account the significant economic disparities that exist among local communities. Furthermore, this problem of inadequate funds is exacerbated by the fact that the second source of income, local taxes, is often insufficient because the central government has very little experience (and is quite insufficient) in collecting taxes at the local level. As a consequence,

because of a number of practical problems the funds available to finance social assistance benefits vary considerably across Hungary and are often insufficient to cover all claims for social assistance (*ibid.*: 88).

A series of reforms of social assistance that aim at remedying the issues of lacking formal rights to social assistance and the disparities in administration and financing were begun in 1991. The most important of these, the Social Welfare Act III of 1993, laid down some guiding principles for the way in which the local governments should organise and implement social assistance, but the specific regulations establishing an objective definition of need, the appropriate means test involved and the national income minima to be used as reference remained unclear (Szalai 1998).

In sum, today, the delivery of social assistance in Hungary is largely unchanged compared to the early 1990s. Severe economic constraints during the 1990s combined with high inflation and several macroeconomic reforms mean that social assistance benefits have become considerably less generous (see e.g. Gál et al. 2003). Additionally, as in the other countries in the study, large numbers of unemployed and weak groups have moved from insurance-based social security benefits to means-tested social assistance benefits during the recessions of the 1990s (Micklewright and Nagy 1998). The consequence of this deterioration of social security is evident in the rise in the number of poor people in Hungary.

Equally important, the problems associated with the diversified delivery of benefits at the local level, as well as the lacking institutionalised social rights to social assistance have not been resolved. Consequently, social rights to a minimum income are weak in Hungary and have increasingly become so with the retrenchment of universalism in Hungarian social security (*ibid.*: 48). Furthermore, access to social assistance remains fairly poor compared to the other countries in the study since no statutory right to a minimum income exist.

#### *Conclusion: Social rights and obligations in social assistance in the 1990s*

The survey of reforms of access to social assistance in the 1990s and the changing balance between social rights and obligations carried out in this section reveals both common trends and national differences. In this conclusion we sum up these developments.



Basically, with the exception of Hungary, the social assistance systems reviewed here are similar in structure. They are organised at the local level and offer benefits to people who, for a number of reasons, have exhausted all other sources of income and no longer are able to provide for themselves. In all cases access to benefits is conditional upon, according to slightly different definitions, objective need, being available for work, being willing to accept appropriate job offers and thus meeting the social obligations associated with claiming social assistance. The exception to this rule is Hungary in which no statutory right to social assistance exists. In all cases sanctions in the form of benefit reduction or termination exist when claimants are unwilling to meet the social obligations associated with social assistance.

In terms of policy developments, a common trend, as also identified in the comparative research literature (Eardley et al. 1996; Lødemel and Trickey 2001; Heikkilä and Keskitalo 2001), is the generally more restrictive definition of what constitutes the “last safety net”. Social assistance schemes have become more residual in the sense that more targeting of benefits has been introduced in most of the countries examined. In some countries, notably Denmark and the Netherlands, young claimants have formally been excluded from the general social assistance scheme and granted access to special schemes with lower benefits and stricter requirements for maintaining eligibility.

Furthermore, the review suggests that social obligations and workfare-like policies have become a prominent feature in all countries. While a common trend of enhancing social obligations of claimants, e.g. in the form of widening the definition of suitable employment and increasing demands on wage and occupational mobility, is detectable in all countries, national differences in implementation and policy background are clearly visible. Compared to more “classical” Anglo-Saxon workfare policies, the presence of which is most visible in the UK, the Continental European and Scandinavian strategy of “activation” of social assistance claimants (especially in Denmark and the Netherlands) has a broader meaning and typically offers a wider array of active labour market policy instruments than in the workfare tradition. Naturally, this difference in policy tradition and instruments is most pronounced in activation of unemployment benefit recipients, but it is also detectable within the domain of social assistance. Thus, during the 1990s active labour market policies have become a central feature of social assistance scheme in most countries. The exceptions to this trend are Italy in which the new national social assistance scheme and active labour market programmes are still under development, and Hungary where institutional

malfunctions and severe economic strains since the early 1990s have hampered the effective implementation of active labour market policies.

### ***Reforms of family benefits in the 1990s***

The final aspect of social rights to access to social security examined in this paper is family benefits. This type of benefit is designed by provide financial assistance to families with children to compensate the costs associated with child rearing. Consequently, family benefits are also sometimes known as child benefits or family allowances. What is meant by family benefits in this context are the benefits paid out as part of the public social security system to assist families with dependent children. Consequently, we do not consider maternity benefits, leave schemes or other policy measures of the whole “family policy package” designed to help families reconcile family and labour market responsibilities (see Kaufmann et al. 2002).

Theoretically, as in the cases of unemployment insurance and social assistance systems, also a number of family policy welfare regimes have been identified in the comparative research literature (Anttonen and Sippilä 1996; Esping-Andersen 1999). These models are similar to the general welfare state regime clusters identified by Esping-Andersen (1990); i.e. a Scandinavian, a conservative/Continental European and a ‘liberal’ family policy regime. Also, an ex-communist model of family policy has been identified (Bloch and Blessing 2000; Kvist 2002b: 112). However, since in this section we deal only with one aspects of family policy, family benefits, differences in the overall institutional regimes of our countries do not materialize very sharply. Rather, if one were to include family services and especially the extent and quality of day care services the picture would be quite different (e.g. Lehto et al. 1999). Still, the social and contextual factors that underlie the family benefit schemes in the countries examined in this study are clearly different.

As will become evident in this section, access to social rights with respects to family benefits in the 6 countries under study have been much more stable than was the case with unemployment insurance and social assistance benefits. In this respect family benefits pose an interesting contrast to unemployment insurance and social assistance schemes in which considerable policy reforms of access and social rights have been carried out in the 1990s. As is suggested by Kamerman and Kahn (1999), both economical and political factors may be attributed to this fact. First, family benefits only make up a comparatively small proportion of social expenditure in most European welfare states (in the range of 0,5 to 2 percent of GDP). As a consequence they have typically not had a first priority when reforming social security. Second, there seems to be a political consensus in most European countries that family benefits are an important part of social security in terms of

preventing child poverty and also in stimulating fertility in the population. In fact, in many European countries the significance of family benefits in enhancing the disposable income of families, and especially weak families such as lone parents, has increased in the 1990s as a consequence of increased benefits (European Commission 2002; Eurostat 2003).

### *Denmark*

At the beginning of the 1990s family benefits in Denmark are available to all parents from birth up to the child's 18<sup>th</sup> birthday. The scheme is universal in coverage, financed by general taxation and benefits are not taxed. Benefits are flat rate and vary according to the age of the child, with one high rate for children age 0-3 (introduced in 1990) and a slightly lower rate for children age 4-17 (U.S. Department of Health and Human Services 1993: 94). Furthermore, benefit levels decrease by the number of children in the family. Finally, supplementary child benefits are payable in certain circumstances, including lone parenthood, both parents being in receipt of a social pension or death of one or both parents.

Reforms of family benefits in Denmark have been comparatively few in the 1990s, and in most cases modest financial improvements of the family benefit scheme have been implemented. The scheme underwent a major reform in 1987 from being an earnings-related tax deduction for parents to becoming a cash benefit in its own right. Interestingly, even today the administration of the family benefit remains in the Ministry of Taxation rather than the Ministry of Social Affairs.

In the 1990s two reform trends in family benefits are detectable. First, as was mentioned above, in 1990 2 different benefit rates according to the age of the child were introduced (Kvist 2002b: 85). Before this reform benefits levels were uniform irrespective of the age of the child. The differentiation of age intervals was extended further in 1995 in that a third age category was included (MISSOC 1995: 248). The new classification yields gradually decreasing benefit levels to children in the age intervals 0-3, 4-7, and 8-17 years of age.

More importantly, a number of incremental increases in benefit levels were carried through which generally improved the real value of family benefits (Green-Pedersen 2002: 72). The increase in benefits was aimed at restoring some of the value of family benefits, as these had not been properly indexed since the 1980s and had lost about 1/3 of their purchasing power compared to the mid

1970s (Plousing 1992: 77-78). Consequently, family benefits were increased in 1991 with the “children’s package”, and the higher benefit rate for children aged 0-3 was extended to now include children aged 0-6 (Kvist 2002b: 85). Furthermore, a government decree introduced an extraordinary increase of benefits of DKK 200 per year in the years 1994-98, and in 1995 a one-time increase in benefits of DK 1000 per child less than 2 years of age was instated (Ditch et al. 1995: 17).

In sum, social rights to family benefits in Denmark were strong at the beginning of the 1990s and have become marginally stronger during the 1990s. Access has remained universal throughout the decade, while benefits to some extent, with the introduction of differentiated benefit levels according to age, have increasingly been targeted towards families with very young children. However, as benefit levels have been increased across the board, targeting of benefits towards families with young children has not taken place at the expense of benefits to parents with older children.

#### *United Kingdom*

At the beginning of the 1990s family benefits in the UK (“child benefits”), as in Denmark, were available to all parents from a child’s birth and to the age of 16 (age 19 if the child is in full-time education). The universal scheme was introduced in 1978 (Ske vik 2003), and benefits are not taxed. Benefits are financed by general taxation and are paid out flat rate irrespective of parents’ income, and since 1991 the benefit rate has been higher for the first child than subsequent children. Supplementary additions to regular family benefits are available in case of e.g. lone parents and invalidity (Bradshaw et al. 1993: 128).

Furthermore, a range of benefits and tax deductions exist e.g. in housing and other in-work arrangements that provide financial aid to low-income households with children. Notably the Family Credit, an income-related benefit for parents working more than 16 hours per week, plays a significant role in the income package of working families with comparatively low incomes (Hansen 1997: 40-41, 2000: 70).

Reforms of family benefits in the UK were modest in the early and mid 1990s. Family benefits remained fairly poor in comparison with Continental Europe and Scandinavia, but since the first Blair government came into power in 1997 the economic situation of families with children has

been a topic of political interest. More specifically, the Blair governments have in the period 1997-2001 raised benefit rates several times and increased the real value of family benefits by approximately 29 percent for the first child and 5 percent for the second and subsequent children (European Commission 2002: 51). More increases of family benefits have been announced in the future.

Also, improvements in tax credits and supplements to Income Support for persons with dependent children have been carried through (Walker 1998: 533; Sutherland and Piachaud 2001: 87-88). Finally, work incentives in fiscal welfare has become of greater importance in that the Working Families Tax Credit replaced the Family Credit in October 1999. The new scheme uses tax credits exclusively (and no longer provides cash benefits) and grants higher tax rebates to low-income working families than the Family Credit. The aim of the Working Families Tax Credit is thus also to improve families' incentives to retain a work income compared to receiving passive benefits (Hansen 2000: 70).

Few cuts in family benefits did occur in that the higher rate of benefits for lone parents gradually was phased out beginning in April 1996, and claims to these supplements were stopped from June 1998. Consequently, lone parents and two parent families will eventually be treated on equal terms (MISSOC 1996: 17). However, this reform does not conceal the fact that benefits to families in the UK have generally become more generous, especially from the mid 1990s, and that the social rights associated with having children have improved. In this respect developments in the UK are fairly similar to Denmark.

### *Germany*

At the beginning of the 1990s family benefits in Germany are universally available to all families with children through the age of 18, with the possibility of extension to age 21 for unemployed youth or age 27 if the person is in continuing education. Family benefits are paid out flat rate at the same rate for the 2 first children in the family but increase for each child thereafter. Supplements for the universal family benefit are available to handicapped children or to cover other special needs (MISSOC 1992). Benefits are not index-linked and are uprated irregularly depending on political decisions (Bradshaw et al. 1993: 110).

As in the UK, Germany also deploys a system of tax credits with family benefits. There is an income tax child allowance and income tax care allowance for children under age 16 for families whose child (tax) benefits are less than the full exemptions allowed under law. Families with higher incomes normally use both of these allowances. Additionally, single parents may also claim a special household tax allowance if they receive one of the child-related tax benefits or allowances.

Reforms of family benefits in Germany in the 1990s have mainly aimed at streamlining the complex system of cash benefits and tax credits. As a consequence, in the mid 1990s family benefits and tax allowances were integrated into a common family allowance network. From 1996 family allowances became refundable tax credits or deductions in taxable income, whichever is more advantageous to families (Hansen 2000: 49). Most families with normal incomes use refundable tax credits, whereas high-income families mainly use deductions in taxable incomes. If there is no or insufficient income to make use of the full tax credit, benefits in cash will be paid instead to compensate.

Moreover, family benefits are generally more generous in the post-1996 system compared to the previous system, which until 1996 incorporated some elements of means testing (Hansen 2000: 51-52). Additionally, benefits were increased across the board in 1999 (*ibid.* 2000: 68), for the first and second child in 2000 (MISSOC-Info 01/2000/Germany), and in the same period the different tax allowances were improved along with an increase in the household tax allowance for single parents in 2002 (Clearinghouse Website). Furthermore, since 2001 the financial situation for parents taking parental to cater for small children has improved. A number of reforms have increased benefits and introduced more flexibility in the leave schemes (MISSOC-Info 02/2000/Germany), the aim being to accommodate the system to new family types and to enhance labour market flexibility.

In sum, the German system of family benefits has not undergone any major reforms during the 1990s, save for a closer integration of the benefit and the taxation components of the system. Since 1996 the family benefit package has become more generous to most types of families, and recent reforms have increased the access to benefits when taking new and more flexible types of parental leave. Consequently, the social rights associated with having children in Germany have become somewhat stronger over the past decade.

*Netherlands*

Family benefits in the Netherlands were in the early 1990s, as in most of the other countries in the study, a universal feature of the Dutch welfare state. Benefits are available from the first child, and benefit levels are adjusted progressively according to the number of children in the family. This means that the amount of family benefits per child increases when the number of children in the family increases, yielding a financial 'bonus' for families with many children. Additionally, benefit rates vary according to the age of the child with the highest benefits being paid to children age 12 to 18 and somewhat lower levels for younger children (in the intervals 0-5 and 6-11 years of age). Benefits are updated according to prices and are not taxed. Family benefits are paid until the child reaches the age of 18 but may be extended to 24 if the child is engaged in education and is not entitled to student grants. Also, unlike in Germany, child tax allowances do not play an important role in the benefit package with the exception of a free tax allowance for single parents with children less than 27 years of age (MISSOC 1992; Bradshaw et al. 1993: 122).

Reforms of family benefits in the Netherlands during the 1990s have mostly been aimed at reducing the costs of the scheme. Spending on family benefits is in fact quite low by international standards (little under 1 percent of GDP). Furthermore, a recent report from Eurostat (2003) demonstrated that family benefits in the Netherlands in the period 1991-2000 have decreased by 14 percent in real terms. By contrast, on average family benefits have increased by almost 36 percent in the EU during the same period.

The reason for this drop in the real value of benefits is that family benefits (as well as other benefits) have been cut several times during the 1990s in order to stop the exploding costs of social security in the Netherlands (Visser and Hemerijck 1997; Green-Pedersen 2002). Most importantly, in 1995 family benefits were reduced by 20 percent (Ditch et al. 1996: 44-45). Furthermore, from 1995 the 'bonus' on benefit rates resulting from increasing numbers of children in the family was abolished so that children born after January 1 1995 no longer contribute to the 'bonus' (Hansen 1997: 53). This reform has also cut the generosity of family benefits in the Netherlands.

Consequently, taken together the reforms of family benefits in the Netherlands suggest that the social rights to family benefits have weakened to some extent. Notably, incremental cuts in benefits



and the abolition of the large family 'bonus' have reduced the significance of family benefits in the total income package of families.

### *Italy*

Unlike the other countries in the study, at the beginning of the 1990s Italy is the only country featuring a non-universal system of family benefits based on social insurance and employment relations (the universal system was abolished in 1983). Furthermore, the system is designed not only to support children, but in principle also other dependent members in the household. To be eligible for benefits claimants must be in paid employment or a pensioner receiving an employment-based pension, and the rate of the benefit is defined as an inverse function of the total family income and a direct function of the number of family members (MISSOC 1992: 173). With incomes above a set threshold, eligibility for family benefits is lost altogether; in effects making the benefit income tested. Separate schemes exist for self-employed and former self-employed pensioners.

Consequently, higher family incomes result in lower benefits whereas more dependent family members increase the amount of benefits. Benefits are payable for children under 18 years of age, married or cohabitating dependent partners and close family (brother, sister, nephew etc.) who are disabled. Family benefits in Italy are financed through social security contributions and are not taxed (Bradshaw et al. 1993: 118). Administration takes place through the National Social Insurance Institute. Furthermore, a tax component of family benefits also exists in that taxes on earned incomes are subject to deductions according to the number of children in the household, with a separate and significantly higher scale of deductions in place for single parents (MISSOC-info 01/2002/Italy).

Reforms of family benefits in Italy in the early and mid 1990s centered on incremental cuts and targeting of benefits, but from the late 1990s policy measures to improve benefit levels and scheme coverage have been implemented. First, the *de facto* level of coverage of family benefits has deteriorated significantly over the years since more downward targeting of benefits has been enacted (in the form of restricting eligibility through freezing or lowering the upper income cap for eligibility). Thus, the number of potential beneficiaries of family benefits has declined, and of those receiving benefits the share of low-income pensioners has increased significantly relative to

families with children. Furthermore, due to lack of indexation family benefits lost around 40 percent of their real value between 1988 and 1996. As a consequence, whereas in the 1960s and 70s family benefits would amount to around 5-10 percent of the total income of a typical working family with two children, in the early 1990s this contribution had been reduced to close to nothing (Clearinghouse website).

However, in recognition of the problems of the inadequacy of coverage of family benefits to particularly vulnerable groups, a new means-tested “large families” benefit was introduced in 1999 for families with more than 3 children below 18 years of age. This benefit provided increased assistance to low-income families and mothers with no maternity benefit coverage (MISSOC 2000). Furthermore, since the mid and late 1990s increases in family benefits by about 20 percent as well as extensions of the child tax allowances have been implemented to improve the financial situation of families in Italy (European Commission 2002: 51; Clearinghouse website).

In sum, developments in family benefits in the 1990s bear witness to a continuing deterioration of the social rights to family benefits begun in the 1970s through benefit cuts and increased targeting, but since the mid and late 1990s a beginning reversal of this trend may be detected. Additionally, Italy’s financial provisions for families are relatively low compared to other European countries (Bettio and Prechal 1998), and, along with the Netherlands, public spending on family benefits has not increased during the 1990s but rather remained stagnant or decreased slightly (European Commission 2002: 26). Thus, today social rights to family benefits in Italy are weak in comparative perspective, and while efforts have recently been made to restore some of the financial impact of benefits they remain of little significance to all but the most needy families.

### *Hungary*

As with other aspects of social security, family benefits in Hungary have witnessed a turbulent history during the 1990s (‘ups and downs’, different governments and political motives). Eligibility criteria were modified several times in the 1990s. The family benefit scheme constitutes a significant part of the income package of families with children, and social spending on family related benefits are higher in Hungary than in any of the other countries in the study (in the range of 4-5 percent of GDP).

At the beginning of the 1990s family benefits were available to all Hungarian citizens and permanent residents with children irrespective of income. Eligibility is only associated with being the legitimate parent or custodian of a child. The benefit is flat rate and increases according to the number of children in the family with higher rates for single parents and parents with chronically ill children. The benefit is paid out until the child's 16<sup>th</sup> birthday (or 20<sup>th</sup> if the child remains in full-time education). Family benefits are not taxable. Finally, family benefits are not automatically indexed, but its value is increased by political decision from time to time (Cichon 1995: 48; World Bank 2001: 28).

Reforms of family benefits as such in Hungary in the 1990s have, contrary to unemployment benefits and to a lesser degree social assistance, not been very extensive. In the early 1990s no major reforms carried out, but rising numbers of claimants and a deterioration of the real value of benefits have made a significant impact on the family benefit scheme. In fact, family benefits were one of the social security benefits hit hardest by fiscal hollowing-out of benefits in the 1990s by inflation and lack of uprating, and an estimate of the early and mid-1990s suggest that the net value of family benefits reduced from index 100 in 1992 to index 45 in 1996 (World Bank 2001: 36; Gál et al. 2003: 64).

Furthermore, uncontrollable rises in social security expenditures in the early and mid 1990 resulted in family benefits becoming means tested in 1996 with an upper income cap of a monthly gross income of HFL 25,000 per capita (Grootaert 1997: 6). However, in 1998 the means test in family benefits was abolished and the scheme was with the Act on Family Support once again made universal in application (World Bank 2001: 28, 32). The argument for reintroducing universality in family benefits was mainly political, as it was recognized that social protection of families and children and the minimization of social exclusion was of prime importance. Furthermore, means testing of family turned out to be expensive and a bureaucratically cumbersome task.

From 1999 a new system of tax deductions for families with children was introduced to compensate some of the lost value of family benefits during the 1990s. The tax deduction is available to the one parent with taxable income who is eligible for family benefits. Additionally, if the parent receiving the tax deduction does not have an income sufficiently high to use the entire deduction, the 'surplus' deduction may be transferred to the other parent (World Bank 2001: 30). In 2000 the tax

deduction was increased by a further 30 percent. However, since this system of tax deduction mainly benefits families with some income, poor and low-income families have not to the same extent gained from these reforms.<sup>10</sup> Following political discussions on this topic, and because family benefits had lost significantly in real value during the 1990s, a new package was introduced in 2002 that included a 20 percent increase of the monthly amount and introduced the 13<sup>th</sup> month of payment (Gál et al. 2003: 64).

In sum, the reforms of family benefits in Hungary tell a mixed picture of the quality of social rights to family benefits. First, the introduction of means testing in the years 1996-1998 clearly marks a deterioration of access to family benefits. However, the return to universality in 1998 indicates the short-lived career of means testing in family benefits in Hungary. In terms of the adequacy of benefits, the real value of family benefits were more than halved due to inflation and lack of indexation from the early to the mid 1990s. By the late 1990s several measures of fiscal welfare, notably the system of tax deductions, along with a major increase in benefits have reconstituted family benefits, although not the level of the early 1990s. As a consequence, even in light of the recent improvements of family benefits, the social rights associated with family benefits are somewhat weaker now than was the case in the early 1990s.

*Conclusion: Social rights to family benefits in the 1990s*

Family benefits have since the mid and late 1990s generally become more accessible and generous in most countries in the European Union (European Commission 2001: 7; Eurostat 2003). A renewed emphasis on the social responsibility of ensuring socially and financially secure conditions for children has been present in the policy making across Europe.

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<sup>10</sup> The differences between high- and low-income families have been further accentuated by the re-introduction of an earnings-related component in the family benefit package. The insurance-based child benefits (GYED), originally abolished in 1996, were re-introduced on 1 January 2000. The benefit is available to parents on leave during the first 2 years of the child's life to parents who have paid social security contributions for at least 180 days during the past 2 years (World Bank 2001: 28). The benefit provides 70 percent of former wages with a ceiling of 2 times the national minimum income, and the benefit is taxable. Consequently, the social insurance principle still works in some respects offering preferential treatment to families with a stable affiliation to the labour market. For mothers on leave with insufficient social security contributions another scheme exists (the GYES) that pays out flat-rate benefits equivalent to the minimum pension for the first 3 years of the child's life.

However, as the review of reforms in the 6 countries in this study shows, developments are somewhat uneven. Access to family benefits were generally improved in Denmark, the UK, and Germany, whereas in the Netherlands, Italy, and Hungary the social rights to family benefit deteriorated during the 1990s. A common trend in all countries, however, is that political initiatives have been enacted to improve the financial situation of families. The result of these initiatives on the economic well being of families with children is likely to improve further family benefits and policies in Europe.

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