

Welfare, Here and Abroad

While Obama pushes to put more people on the dole, many older welfare states now stress work.

By Michael Tanner
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How bad have things become? The British newspaper the *Telegraph* recently looked at the growth in welfare spending in industrialized nations and found that such spending (including health-care and pension programs) had grown faster in the United States since 2000 than in any country in Europe except Ireland, Spain, and Portugal.

Of course, European welfare states were larger to begin with, but the *Telegraph*'s report is reflective of an important trend. While the Obama administration presses forward with efforts to combat "income inequality" by expanding the American welfare state, the European nations and other industrialized welfare states are moving in the other direction.

A few examples:

The Netherlands: Just 42 percent of U.S. welfare recipients are engaged in even broadly defined work activities (including job training, college, or job searches), and Republican attempts to restore work requirements to the food-stamp program have been met with a storm of resistance. Meanwhile, the Obama administration touts the idea that Obamacare will enable people to quit their jobs while having their health care subsidized by taxpayers.

The Dutch, on the other hand, have announced a massive reform of their welfare system, designed to put a new emphasis on work. For example, welfare applicants will now be required to prove that they spent at least four weeks actively searching for a job before they become eligible for any assistance. And once they begin to receive benefits, they will have to either work or perform volunteer community service. Dutch welfare recipients would be required to take available jobs even if they had to move or commute up to three hours per day.

Other reforms would reduce benefits by treating families as a single unit, rather than as separate individuals. For instance, a mother with two children would receive a single payment rather than three separate payments. The combined payment would be less than the total of three separate ones, based on the assumption of "shared expense." According to the Dutch government, the reforms will ensure that welfare is seen as "a safety net, rather than a right."

Great Britain: The United States currently funds 126 separate anti-poverty programs at the federal level, 72 of which provide cash or in-kind benefits to individual recipients. For example,

there are 33 housing programs, run by four different Cabinet-level departments, including, bizarrely, the Department of Energy. There are currently 21 different programs providing food or food-purchasing assistance. These programs are administered by three different federal departments and one independent agency. There are eight different health-care programs, administered by five separate agencies within the Department of Health and Human Services. And six Cabinet-level departments and five independent agencies oversee 27 cash or general-assistance programs. Altogether, seven different departments and six independent agencies administer different parts of this bureaucratic nightmare.

Great Britain, on the other hand, is reforming its welfare programs in a way that reduces bureaucracy, encourages work, and treats recipients like adults instead of wards of the state. Among other things, it has been consolidating its major welfare programs into a single grant. Moreover, while it is possible for U.S. welfare recipients to receive benefits well in excess of what they could earn from an entry-level job, Britain has capped the new consolidated grant at a level low enough that it will make work a much more attractive option.

And the British reforms are already showing signs of success. In the first three months following enactment, British job-force participation increased by 280,000 (or almost 1 percent), leading the Bank of England's Monetary Policy Committee to say that the "tightening in the eligibility requirements for some state benefits might have led to an intensification of job search." In other words, some Britons left welfare for work.

Denmark: President Obama has made a push for extended unemployment benefits one of his top legislative priorities. Numerous studies have shown that the availability of unemployment benefits both extends the duration of unemployment for those already out of work and increases the unemployment rate by 0.5 to 1.5 percentage points, but President Obama has dismissed the idea that jobless benefits could discourage people from looking for work.

Last year, in contrast, Denmark cut the duration of its unemployment benefits in half, from four years to two. While this is still far longer than the duration of benefits in the United States, some 17 percent of Danes lost their benefits last year.

In making the change, the Danish government cited studies showing that long-term unemployment benefits discourage recipients from seeking jobs and may actually increase unemployment. According to a study by the Danish Ministry of Economics, Danes can sometimes earn more by drawing unemployment benefits than by working in low-skilled jobs. The study suggested that at least 250,000 Danes had no economic incentive to give up their unemployment benefits and take a job; this number was equivalent to more than 9 percent of Denmark's total labor force.

What is particularly noteworthy is that this reform was enacted by a left-wing coalition government dominated by the Social Democrats, the Socialist Peoples' Party, and the Red-Green Alliance. When an American president and congressional Democrats have maneuvered themselves to the left of the Red-Green Alliance, something is clearly wrong.

Australia: Disability benefits have exploded in the United States over the past decade. Since 2000, the number of people receiving Social Security Disability has increased by almost 60 percent, while spending has increased by 140 percent.

The Abbott government in Australia is planning to introduce extensive reforms, including time limits for some disability payments and greater efforts to move recipients into jobs where possible. Other recipients will be shifted from disability payments to other programs, which frequently pay lower benefits.

Australia is also another country that is reforming its unemployment system, planning, for example, to end provisions that allow unemployed workers to decline a job that is more than 90 minutes from their home. And Australia will strengthen work requirements for other welfare programs as well.

That is, in fact, a common thread among these multinational reforms: the primacy of work as an alternative to welfare. As Australia's Social Services Secretary Kevin Andrews puts it, "Work is the best form of welfare."

That does not yet appear to be a lesson that the Obama administration has learned.

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