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Belgium vs the Netherlands:
Is the crisis a path-breaking or path reinforcing event?

Belgium and the Netherlands provide two of the most compelling contrasting narratives of welfare state reform of the past decades. Both are advanced, small, open economies with similar corporatist concertation and bargaining institutions. Both countries shared similar predicaments of high unemployment around the early 1980s. The divergence of these small open economies over subsequent decades has been well documented. The Netherlands are often considered as a model reformer, having successfully negotiated the shift from welfare to work, boasting a flexible and modern labour market. By contrast, Belgium is depicted as the prime example of the frozen Bismarckian welfare state. Reform, if any, would remain incremental and insufficient to effectively cope with the challenges of restructuring and ageing populations.

In a first section, the paper provides an overview of this argument, comparing the main policy orientations of the Low Countries, from the recession of the early 1980s up to 2007. This section also considers outcome indicators. It concludes that the account with regard to the labour market is more nuanced than many would claim. It does confirm however that the Netherlands succeeded much better in bringing down benefit dependency than Belgium.

The second section of the paper considers the recent crisis. As a result of the different structural reform trajectories of the past decades, the countries entered the crisis with fundamentally different labour market and welfare state institutions. The section provides an overview of measures aimed at maintaining or stimulating labour demand and supply (including short time working schemes), at protecting the standard of living of those affected and at ensuring the financial sustainability of the social security system. It includes the latest empirical evidence on employment, unemployment and benefit receipt. In the conclusion, we sum up the two sections, considering whether the trajectories since the latest crisis are consistent with previous decades or rather suggestive of a path-breaking trend.

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