Active labour market policies for the Europe 2020 strategy
Ways to move forward

Flemish Department of Work and Social Economy
In cooperation with the Research Institute for Work and Society, the European Commission and the city of Antwerp

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Introduction

On 28 and 29 October 2010, more than 250 policy makers, academics and social partners from all European Member States gathered in Antwerp to attend the Flemish EU Presidency conference ‘active labour market policies for the EU 2020 strategy: ways to move forward’.

In close cooperation with the European Commission, the Flemish authorities wanted to draw lessons from the existing evaluation studies on the variety of activation measures and their implementation.

Now that the new European employment strategy has been launched, we wanted to examine which activation instruments would be the most effective in realising the recently adopted European employment objectives.

As it turned out, this was not always a simple exercise. After all, what works well in one Member State does not necessarily work well within the institutional context of another Member State. Moreover, what is effective in the short term is sometimes much less advisable in the long term. And conversely, less cost-effective measures can sometimes be meaningful investments in the future of human capital.

This shows that we did not just stumble upon the ‘ways to move forward’. On the contrary, the rich findings from the evaluation study provided us with a certain number of important insights. One of these insights is that measures designed to help job-seekers find employment and sanction them when they make insufficient efforts to search for employment often have a positive effect and have the added advantage of being relatively inexpensive. Another insight is that programmes with a focus on young people or public job creation are considered to be more problematic, both in terms of cost price and in terms of effectiveness.

Either way, the different interventions reminded us that we will need to walk many ‘ways to move forward’ in order to arrive at our final destination: an ambitious employment rate of 75% in 2020.

We also remember the pleas in favour of a rucksack for employees, in favour of following our compass in the direction of our destination by taking into account the needs of those who are furthest from the labour market and in favour of widening the activation radius in such a way that career mobility, restructuring and other aspects also fall within its scope.

In this conference book, we compile a vast number of these insights that have been discussed during the conference. We never aimed to achieve internal coherence, nor completeness. Neither do the insights expressed in this publication necessarily represent the points of view of the European Commission or the Flemish authorities. And although a certain number of recent policy developments have here and there caught up with the topicality of the book, the principal findings are found to be kept intact.

This congress book consists of different parts. In the first part, our Department gives an overview of the history of activation policies in a European context. In a second part, we compiled the reflections, the impressions and the conclusions of the conference, in close cooperation with the key note speakers and the session chairs. A third part of the book draws attention to the way activation policies can be put into practice over the boundaries of different nation states. In a fourth part,
we gave room for a debate by the social partners and the academic world. Finally, the Ministers for Work and Social Economy voiced their opinion about the way activation policies could be a catalyst for a reinforced European Employment Strategy in the framework of Europe 2020.

Last but not least we explicitly would like to thank the speakers who have provided a contribution for this conference book before, during and after the conference. Without their input, this publication would not have been possible. We would also like to thank the European Commission for financing the conference and this publication in particular. Finally, we would like to thank the City of Antwerp for the warm reception they gave us during those three days in October last year.

Dirk Vanderpoorten  
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I. Setting the stage

1. The activating labour market policy at a crossroads

   Willem De Klerck, Department WSE

The endorsement of the new European Employment strategy within the framework of the Europe 2020 strategy is an excellent time to reflect upon what constitutes effective ALMPs, upon how they contribute to stable employment growth and how they can be identified and shaped in the future.

During the last decades, ALMPs have come a long way. While income support and other social protection measures remain important, national and regional labour ministries have gradually realised that ALMPs are indispensable in order to achieve full employment. In most European Member States, a broad policy framework has been developed with a diverse range of instruments such as job
search assistance, training programmes, active restructuring, employment incentives and social economy insertion.

In the current economic situation, ALMPs can help those who become unemployed to find another job before they disconnect from the labour market altogether. They can also prevent people of becoming long-term unemployed. Moreover, they enable the reintegration of the long-term unemployed as well as people outside the labour force. ALMPs also play an important role in bridging the present crisis on the one hand, and a foreseeable period of slower growth (demand), demographic change (supply) and increasing skill needs on the other hand. Job-seekers today should be prepared for a quick reintegration when a future economic revival occurs. In the long run, ALMPs are key policies in securing transitions caused by technological, environmental and societal changes. They offer new opportunities for skills enhancement, and they contribute to a more productive, competitive and inclusive economy. Finally, while promoting change and increasing employment, they are also very necessary to reach the EU headline employment target.

In the meantime, the budgetary context has worsened in most of the Member States. Bailing out the banks and increasing expenditure due to crisis measures and automatic stabilisers caused the budget deficit of the 27 Member States to drop below the Maastricht criteria (maximum 3% of GDP) with some Member States reaching 10% and more. Debt to GDP ratios have also strongly increased, from 59% of GDP in 2007 (EU-27) up to (nearly) 80% at the end of 2010. The precarious economic recovery, combined with the consequences of the debt crisis, has depleted public finances even more, forcing most EU governments towards budgetary consolidation. Several Member States have already announced spending reduction (austerity measures) in the field of labour market support, including unemployment benefits and ALMPs.

The economic and budgetary context confronts policy makers with a remarkable paradox. On the one hand, massive investments in ALMPs seem necessary to tackle high unemployment levels and promote employment. On the other hand, budgetary constraints seem to undermine the widespread support for ALMPs.

This paradox, and its consequences for national ALMPs, brings effectiveness to the fore. Harsh financial pre-conditions require pushing for more effective and efficient ALMPs, forcing governments to find ways of doing more with less.

**Figure 1: ALMP spending in the EU-27 as a % of GDP (2005, 2008)**
A quick glance at the main ALMP figures (figure 1) learns that public expenditure on ALMPs has steadily declined from 2005 onwards, although serious amounts have been spent (differing significantly between Member States). Despite the fact, however, that considerable amounts of money are devoted to ALMPs in several EU Member States already, there is still a lot of uncertainty as to the relative effectiveness (and cost-effectiveness) of the various instruments of ALMPs. The endorsement of the new European Employment strategy within the framework of the Europe 2020 strategy is an excellent time to reflect upon what constitutes effective ALMPs, upon how they contribute to stable employment growth and how they can be identified and shaped in the future.
2. Effectiveness as a touchstone for the activation policy

Joost Bollens, HIVA/KULeuven

Member States should make more efforts to evaluate their ALMPs. When decisions need to be made about the composition and scope of the active labour market policy package, we need a policy that is built on practical experience.

Despite the fact that the different EU Member States annually spend considerable budgets on an active labour market policy, there is still a lot of uncertainty about the relative effectiveness (and cost-effectiveness) of the different active instruments. Then again, even if we would have acquired certainty in this matter, it probably still would not directly lead to a great revolution in the practice of active labour market policy. After all, policy choices are still driven by different motives. First and foremost, there are political considerations. Policy makers for instance very strongly and firmly believe in the effectiveness of vocational training for job-seekers, whereas somewhat more nuanced conclusions can be drawn about this on the basis of scientific evaluation literature. Another important determinant in policy choices is the fact that there are strong forces aiming at the preservation of the status quo: abolishing or even adapting existing measures often involves a number of parties concerned who may lose something and who will object, even when their loss does not outweigh the benefit for society when abolishing a less effective measure.

Even though we need to take into account that policy choices are the result of complex processes, during and by means of this conference a lance was broken for the proposition that, with regard to the fleshing out and the scope of the active labour market policy, there should at least also be room for what can be described as "evidence based policy" or a policy that is built on practical experience. "Evidence based" policy is opposed to a policy that is based on opinions, and can be described as a policy approach that "helps people [to] make well-informed decisions about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation" (Davies 1999).

In accordance with this description, a lot of attention was paid to the scientific evaluation of the different forms of active labour market policy in the different countries during the conference. In doing so, a two-fold objective was aimed at.

1) By discussing applications of diverse evaluation designs, an insight could be provided to the audience, mainly consisting of policy makers and policy implementers, into the strengths and weaknesses of the alternative evaluation approaches.

2) By discussing recently published evaluations of a multitude of active measures (training, subsidies for wage costs, strengthen search abilities and/or encourage search behaviour, measures for different target groups (older unemployed people, measures in social economy, etc.)), an overview could be given of what we currently know about the relative effectiveness of the different instruments.

The most important findings, introduced by Jochen Kluve (RWI, Essen) among others, are the following:

-Programmes aimed at young unemployed people and programmes of public job creation are problematic. One does not even have to take their cost price into
account, even if they were virtually free, they would still remain not really useful because they do not enhance the participants' chances of finding employment and possibly even harm them.

*With regard to training programmes, the insight is much nuanced.* Some of them have impact, others do not. This immediately raises the question to find out which specific characteristics of the training programme result in a positive effect, and which characteristics are linked to a negative effect, but the study does not provide an answer to these questions (oriented towards the labour market/bottleneck characteristics of the training?, classroom ex cathedra versus on-site?, characteristics of the participants?,...) . In any case, there are also indications showing that some training courses can certainly have a positive impact in the long term, even though the impact in the short term was less favourable. The cost price is important here, and consequently one should always bear the cost-effectiveness in mind. Providing training courses costs money and locking-in also has a certain social cost.

*Subsidies for wage costs have a positive (direct) impact, but are often expensive and can lead to a certain number of unwanted indirect effects.* For this reason, it would appear less recommended to widely use this kind of instruments. This is all probably less problematic with regard to selective subsidies for wage costs, aimed at groups that have very little chances of finding employment in any other way.

*Measures that are designed to help job-seekers in finding employment and sanctions when they make insufficient efforts to search for employment often have a positive effect and have the added advantage of being relatively inexpensive.* On the other hand, the obtained effects are effects in the short term. This suggests that we must continue to focus on this type of measures that will, on the other hand, if more structural effects are wanted, possibly need to be completed with intelligent design training programmes.
3. Evaluation in the new European Employment strategy

Tom Bevers, EMCO (red.)

In order to have more impact, there is a need for a strongly developed evaluation dimension within the new European Employment strategy. Taking more responsibility, both by the Member States as by the European institutions with regard to the development of an administrative structure (the Common Evaluation Framework), forms a part of this. It implies a more systematic evaluation of the ALMPs.

The European Employment strategy was established in 1998. It aimed at policy convergence within the employment field to tackle the main problems of the European labour markets. This convergence had to be based on benchmarking and mutual policy learning. The annual employment guidelines were – and still are – the cornerstone of the strategy: they spell out the policies that should guide Member States.

Within these guidelines, active labour market policies have always had a central place. In 1998, guideline 1 read as follows:

**Member States will ensure that:**
- every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;
- unemployed adults are also offered a fresh start before reaching 12 months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance.

*These preventive and employability measures should be combined with measures to promote the re-employment of the long-term unemployed,*

**Each Member State:**
- will endeavour to increase significantly the number of persons benefiting from active measures to improve their employability. In order to increase the numbers of unemployed who are offered training or any similar measure, they will in particular fix a target, in the light of their starting situation, of gradually achieving the average of the three most successful Member States, and at least 20%.

From the outset, the short list "training, retraining, work practice, a job or other employability measures" provided a definition of what "active labour market policies" mean in the European context.

This shows that the employment guidelines implied clear and specific targets, and the focus on these remained also when in 2000 some overall targets were set for the Employment strategy, such as the 70% employment rate for all persons aged 15-64, 60% for women and 50% for older workers.

Three quantitative targets related to active labour market policies were defined:
1. A new start for all young unemployed before the 6th month (in 2006 the target became "before the 4th month, by 2010")
2. A new start for all adult unemployed before the 12th month
3. 25% of all long-term unemployed must participate in an active measure

However, the measurement of these targets was by no means obvious.
The Employment Committee (EMCO) is the Treaty-based body that is responsible for the European Employment strategy. In 2000, the EMCO Indicators Group was established, and as its name suggests it started to develop indicators to follow up the policies of the strategy. Since then, a lot of work has been done to define indicators on different aspects of labour market policies, ranging from quality in work to lifelong learning, from social inclusion to flexicurity or very recently on employment and environment. From the start, there were two types of indicators: those based on harmonised sources and those based on national sources. The European sources are mostly surveys such as the Labour Market Survey. National sources are often administrative data. As a European Committee, with benchmarking as a main task, EMCO has given preference to harmonised data over the years, for obvious reasons. For some aspects of the strategy, this was not possible. This was the case for the active labour market policy targets of the strategy in particular. But they were so politically visible that not trying to measure them was no option either.

Not that this was easy. A lot of work was invested in agreeing what to measure exactly. What is an unemployed in this context? Rules can vary substantially between countries. What is six months of unemployment for someone who has held a job for one week? What is a new start? Is it enough to invite a job-seeker in the office of the PES? Clearly, it is not. But not everybody will benefit from an intensive training course either. And what does "offered" mean: what if a jobseeker refuses to participate? Over the years, two concepts were developed: regular activation and assisted activation, the first concept referring to intensive measures, the second one basically referring to individual action plans, without many requirements for the contents of this plan.

Notwithstanding all the very laudable efforts (and with some hindsight) we can see that the measurement of the targets was never optimal and has even worsened over the years. In 2003, a large majority of Member States at least delivered data on the New Start and on the activation of the long-term unemployed. In 2009 only a minority provided data, as shown in the table.

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<tr>
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<th>2003</th>
<th>2007</th>
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<tr>
<td>New start</td>
<td>11/15 Member States</td>
<td>13/27 Member States</td>
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<tr>
<td>Activation of LTU</td>
<td>9/15 Member States</td>
<td>9/27 Member States</td>
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Source: Emco indicators group – Tom Bevers

Moreover, if we look at the figures, we see differences that cannot be explained. The indicator has always been expressed in terms of "non-compliance": how many people become long-term unemployed without a new start. When we look at the 2007 data, this non-compliance varies between 0.85% and 82.4%. This means that there is a Member State that is 100 times worse than another one - which does not facilitate benchmarking... It should be noted that Belgium has tried to play the game very seriously, by always providing data. However, if you would look behind the Belgian data and look how data from the regions, all taken separately based on very solid work, are added up, you will see that, even in a system where the PESs share a common history, it is not easy to agree on clear definitions and compare practices.
Apart from the targets, other indicators on active labour market policies were developed.

Already in an early stage, one of the indicators in the EMCO list was the "rate of return to employment after participation in a measure". Today, this indicator is called "follow-up of participants". If you go to the EMCO¹ website and the indicators Compendium, you will find a treasure of interesting data on the labour markets in the EU. But do not look at this indicator 19.A4: the table has very few data, and they are not very comparable. Nevertheless, some Member States have always argued, and for good reasons, that this indicator is in principle the most interesting one on active labour market policies.

In 2003 Eurostat started the development of the database on labour market policies. Just like the EMCO Compendium, this LMP database is a treasure. Since Belgium is the record holder on the number of measures, it is even a useful source if you are only interested in our national situation. The database brings together a description of labour market policies, with data on expenses and participants, based on an ever improving classification. It is far from perfect yet: comparability remains an issue when so many administrative data are brought together in one database. However, it has allowed for the development of indicators on active labour market policies. Conceptually, they are slightly worse than the ideal new start indicator. And they mix administrative data with survey concepts from the LFS. But we do have data for timely activation, for the activation of registered unemployed and for total LMP expenditure per person wanting to work - that is why EMCO has officially adopted them for the follow-up of the European Employment strategy.

The Lisbon Strategy ended in 2010. Its targets have expired.

Europe has not yet become the most competitive knowledge-based economy that was announced, and we did not reach the 70% target, though without the crisis it could have been a close miss. If we just look at the issue of monitoring and benchmarking active labour market measures, we cannot be fully satisfied either. If EMCO, the DG Employment from the Commission and other European actors had known what we know now, we could have invested in a better measurement of the new start targets.

I do not belong to those who say that the European Employment strategy, within and before Lisbon, has not had any impact. On the contrary, it profoundly changed the way employment policies are discussed and has directed policy changes. This goes in particular for the new start targets - and it is worth underlining that the Flemish authorities have been a forerunner in this respect from the outset. Moreover, I am convinced that EMCO has done a good job in establishing indicators to monitor the strategy - and we can see that they are more and more used by others. However, using national data for this was a failure: any serious European monitoring has to be based on the European statistical system around Eurostat. As far as the new start is concerned, we should have tried to adapt a few questions in the Labour Force Survey. That is a difficult and lengthy procedure, but if we had started it ten years ago, we could have reached the finish line by now.

This does not mean that the data that have been collected in this respect have been a waste of time and resources. They have been helpful on the national level and, again, the Belgian regions are a good example in this respect. But the LMP database, piloted by Eurostat, is a necessary context to make progress on

¹ http://ec.europa.eu/emco
harmonisation. And it only promises to deliver good input data: it provides answers to the question on how much money we invest in the measures and how many and what people they serve. However, I am very pessimistic about the ability of one day delivering good output measures. What happens with people after leaving the measure seems a very difficult question to answer. Moreover, as has been underlined at the conference, it is not even what we really want to know: most importantly, we want to learn more about the net effect. So maybe Eurostat should focus LMP work on the already gigantic task of providing comparable income data.

**The Lisbon Strategy has been relegated to the annals of history; the EU 2020 strategy is the future.**

The new strategy contains fewer guidelines: 10 years ago, there were more than 20 detailed guidelines for employment, now there are only 4, including also education and social inclusion in addition. Furthermore, we have only 1 central objective for employment now: an aggregate employment rate of 75% for the EU-27 with regard to the working population between 20 and 64 years old. Sometimes however, less is more: the new strategy should have a more tangible impact on the Member States’ employment policy than was the case in the past.

The key instrument to realise this objective is the translation of the European Employment Target to national objectives: all Member States must indicate to how much their employment rate will amount in 2020. This central place for the employment target and the national translation by the Member States also implies that there are no explicit operational objectives as was the case in the past for instance with the new start. Therefore, there are no explicit activation objectives, although a lot of attention will still be paid to the measures in the guidelines. The first words of the first employment guideline, integrated guideline 7, still refer to activation: “Activation is the key to enhancing labour market participation”.

Now, how will we monitor these new guidelines? Here as well, Europe is more ambitious than in the past. Establishing a new list of indicators in itself is insufficient, we want them to become the building blocks for a more synthetic vision. This is a work in progress, the so-called “Joint Assessment Framework” which must lead to an extensive “Employment Performance Monitor”. A certain number of policy domains on which we will base our work have already been defined and a first list of principal and peripheral indicators to monitor these policy domains has been established. One of these subject areas to monitor is called “active labour market measures”.

The most important indicator in the first draft of the Joint Assessment Framework is long-term unemployment. This is not an ideal choice because this still only concerns peripheral indicators: very useful, but not a good basis to determine which Member States perform well and which Member States achieve lesser results. It is the EU 2020 strategy’s ambition to be stricter, to ensure that the necessary labour market reforms actually take place, to measure the results, to identify challenges and bottlenecks and to provide the Member States with clear recommendations. These recommendations must be based on solid analytical methods and comparable data. In other words, there is a need for better indicators.

Where will the indicators come from? They will probably come from the ‘Labour Market Policy (LMP)’ – database. The very useful work which has been performed in this context must unquestionably be continued and I personally think that it should be provided with a legal basis to facilitate future progress. Nevertheless, the database will in all probability never produce good indicators on results and
efficiency. This is because the quality of the outflow of data is highly varying and the outflow does not really provide what we need: what we want is to get an idea on the impact of measures. And without some type of result indicators, our system for monitoring and benchmarking will always be imperfect.

Can policy evaluation fill this gap? Yes and no. Within the European Employment strategy, we have learned a lot about each other’s policy measures. And it has also encouraged the development of an evaluation culture in Europe. But the exchange of policies did not lead to a systematic exchange of policy evaluation results. Recently, the European Commission established a so-called ‘Employment Research Dialogue’ and this could be a useful forum for such a systematic exchange. It is indeed necessary to collect the evaluation results.

In this context, meta-analyses are very useful and it is highly important that bodies such as the Commission and the OECD collect these results. Nevertheless, these analyses also have their limits: it is true that we can learn a lot about the different types of policy measures and whether they work better than others, but less about individual policy measures.

**Policy evaluation within the Europe 2020 context is even more important than it already was,**

and it would be useful if Europe would continue to encourage Member States to invest in this. But this is insufficient. We need more standardised results, even when they are not based on the newest econometric techniques. We need instruments that are user-friendlier for administrations, also in countries where the authorities are financially not able to allow universities or institutions (such as IFAU in Sweden) to evaluate all policy measures. In a way, one of the challenges for researchers is to make themselves superfluous: evidently, they need to keep evaluating the measures, but in addition they should also help and encourage the administrations to do more themselves.

Finally, more attention should be paid to usefulness and communication. The experience of the European Employment Committee (EMCO) has learnt that indicators can be a good instrument of communication and that the Joint Assessment Framework which we are working on should allow further improvement of that aspect.

The first panel of the graph shows one of the indicators we have. It is very interesting, because we can immediately see what countries spend most on labour market measures, per potential client. Ideally, however, we should combine this with the second panel, with some kind of efficiency rate for these measures. To attain such a result will require a joint effort from researchers and employment authorities alike.

Panel 1 : LMP expenditure per person willing to work
Source: EMCO Compendium on the basis of Eurostat data
Panel 2: LMP efficiency rate (fictional data)

Source: EMCO Compendium on the basis of Eurostat data
4. The Eurostat Labour Market Policy database

Sabine Gagel, Eurostat (red.)

The Labour Market Policy (LMP) databank collects statistical information about labour market interventions (active as well as passive) to ensure the access of vulnerable groups to the labour market. While the databank delivers a bulk of useful information, LMP-statistics nevertheless display serious limitations. Additional efforts will have to be made by Member States and Eurostat in order to improve the quality of the monitoring.

LMP interventions provide assistance to the unemployed and other groups facing difficulties entering the labour market. The LMP data collection was developed by Eurostat together with the DG Employment, Social Affairs and Equal Opportunities and the Member States as an instrument to monitor the implementation and development of targeted employment policies across the EU in response to two agreements of the European Council in 1997. The first, held in Amsterdam in June 1997, confirmed that whilst employment policy should be a national responsibility, it was also an issue of common concern and that there should be a coordinated strategy at a European level. The second, held in November 1997 in Luxembourg – the so-called 'Jobs Summit' – launched the European Employment Strategy (EES) in which active labour market policies had a key role in relation to employability. Since that time, LMP statistics have been used to monitor both active and passive interventions in the labour market and, in particular, relevant areas of the employment guidelines as set out under the Lisbon strategy.

Within the new Europe 2020 strategy, the flexicurity approach aims to result in the provision and implementation of active LMPs while ensuring adequate benefits for those out of work. The concept of flexicurity came to the forefront of the EU's employment agenda in 2007 when the European Commission released a Communication titled 'Towards common principles of flexicurity - more and better jobs through flexibility and security' (COM 2007/359), which highlighted the idea of reconciling flexibility in the labour market with security for workers. Within this modern flexicurity approach, security refers not only to security of income (for example, through the provision of adequate unemployment benefits) but also to securing people's capacity to work by ensuring lifelong access to opportunities to develop and adapt their skills to meet new demands in the labour market. Hence, the Europe 2020 strategy specifically refers to the provision of effective active LMPs, which cover LMP measures and LMP services, and modern social security systems, which include LMP supports. These policies for the labour market are, therefore, key instruments within the Europe 2020 strategy and a series of indicators based on LMP data continue to be used for monitoring progress.

The methodology for collecting harmonised LMP statistics

In 2000, Eurostat released an initial methodology for the collection of comparable LMP statistics. In view of the experiences gained during a couple of years of data collection and the policy needs expressed by the Employment Committee, a revised version of the LMP methodology was agreed with the Member States in 2006, and this version provides the methodological guidelines and definitions for the production of comparable LMP statistics for the EU. In 2009, an addendum to the 2006 methodology was released, providing additional clarification.
of some items. Both the 2006 LMP methodology and its 2009 addendum are available online at Eurostat’s website.

Scope of the LMP statistics

Labour market policy (LMP) statistics provide information on labour market interventions which are defined as "Public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market."

The scope of LMP statistics is limited to public interventions which are explicitly targeted at groups of persons with difficulties in the labour market: the unemployed, persons employed but at risk of involuntary job loss and inactive persons who would like to enter the labour market.

The unit of observation is the labour market intervention and data on the expenditure and participants for each intervention are collected annually from administrative sources in each country. In addition, extensive qualitative information that describes each intervention, how it works, the main target groups, etc., is collected.

According to the LMP methodology, the interventions are grouped into three main types of LMP services, LMP measures and LMP supports and then further classified into nine detailed categories according to the type of action.

LMP services cover all services and activities of the Public Employment Services (PES) together with any other publicly funded services for jobseekers.

1. Labour market services
   1.1 Client services
   1.2 Other activities of the PES

LMP measures cover interventions that provide temporary support for groups that are disadvantaged in the labour market and which aim at activating the unemployed, helping people move from involuntary inactivity into employment, or maintaining the jobs of persons threatened by unemployment. The interventions covered by LMP measures are in principle equivalent to active LMP.

2. Training
3. Job rotation and job sharing
4. Employment incentives
5. Supported employment and rehabilitation
6. Direct job creation
7. Start-up incentives

LMP supports cover financial assistance that aims to compensate individuals for loss of wage or salary and support them during job-search (i.e. mostly unemployment benefits) or which facilitates early retirement. LMP supports largely correspond to passive LMP.

8. Out-of-work income maintenance and support

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9. Early retirement

LMP statistics online

The online database contains the following tables:

- Public expenditure on labour market policy (LMP) interventions
  - Summary tables by type of action
  - National tables by LMP intervention
- Participants in labour market policy (LMP) interventions
  - Summary tables by type of action
  - National tables by LMP intervention
- LMP based indicators for monitoring the Employment Guidelines
  - Activation-Support (LMP participants per 100 persons wanting to work, indicator 19.M2)
  - Activation of registered unemployed (indicator 19.M4, 19.A3)
  - Timely activation (share of LMP entrants not previously long-term unemployed, indicator 19.A2)
  - LMP expenditure (indicator 19.A5, 19.A6)
- Persons registered with Public Employment Services (PES)

Expenditure data are broken down by direct recipient of the transfers (individuals, employers and service providers) and by type of expenditure (periodic cash payments, lump-sum payments, reimbursements, reduced social contributions and reduced taxes).

Three main observations of the number of participants in LMP interventions are collected: annual average stock, entrants and exits. All data on participants are broken down by gender, age and duration of unemployment before participation. Further breakdowns of entrants by previous status and exits by destination are collected. At present only breakdowns by age and gender are disseminated, though the breakdown by duration of unemployment is used for calculation of indicators.

The LMP database also collects reference data describing the main target populations of LMP interventions as recorded by the Public Employment Services (PES) in each country. Data on the total number of jobseekers registered with the PES are broken down into those considered as registered unemployed according to national definitions (by duration of unemployment) and other registered jobseekers. Reference data are collected with the same observations and breakdowns as the participant data described above.

Some results

Across the EU-27, a total of 1.6% of gross domestic product (GDP) was spent on LMP interventions in 2008. Approximately 60% of this expenditure was directed to LMP supports, 28% to LMP measures and 12% to LMP services. However, the level of expenditure and the breakdown of both expenditure and participants between the different types of LMP intervention varied considerably between Member States, reflecting the diverse characteristics and problems within national labour markets, as well as the different political convictions of their respective governments.

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3 The numbering still follows the 2009 Employment Guidelines; it will be brought in line with Europe 2020 numbering as soon as possible.
LMP measures mostly support the transition from unemployment or inactivity into employment, either: by improving employability through training or work experience; by providing incentives for employers to take on people from selected target groups; or by encouraging individuals to become self-employed. Total public expenditure on LMP measures across the EU-27 in 2008 was equivalent to 0.45% of GDP. The largest part of this expenditure went on training (39.0%), just less than a quarter (24.0%) on employment incentives, while 16.1% was accounted for by supported employment and rehabilitation (measures that promote labour market integration of people with reduced working capacity) and 13.4% by direct job creation (which covers the provision of temporary jobs that are additional to normal market supply).

'Activation' is one of the indicators used to monitor the European Employment Strategy. The indicator is defined as the stock of participants in regular activation measures (LMP categories 2-7) divided by the number of persons wanting to work. Activation appears particularly high in Luxembourg, Belgium and Spain. This is because of the high number of participants in employment incentive measures in these countries. A person in an employment incentive measure is counted as employed in the EU labour force survey and therefore not part of the denominator.

4 The persons wanting to work are the ILO unemployed plus the labour reserve; data are taken from the EU Labour Force Survey.
(1) Estimates.

Source: Eurostat (tps00077)

**Figure 3**: Activation – participants in LMP measures per 100 persons wanting to work

Source: Eurostat (imp_ind_actsup)

**LMP and the economic crisis: support for short-time working and temporary lay-offs**

In the current economic crisis, there is an increasing interest in measures that can be taken to mitigate the effects of the downturn and, in particular, reduce the number of job losses. The LMP database contains information on interventions that aim at maintaining jobs during difficult economic circumstances, by providing financial support for workers during periods of short-time working or temporary lay-off. Such interventions are classified in category 8 *Out-of-work income maintenance and support*, sub-category 8.2 *Partial unemployment benefits*.

Since 2009, Eurostat combines existing annual results from the LMP database with short-term data on support for short-time working and temporary lay-offs to look at trends in expenditure and beneficiaries over the past decade and since the start of the current crises. The short-term data are collected on an ad hoc basis, i.e. outside the regular annual data collection, and unfortunately the short-term information is not available online. An updated version of the information is made available to the DG Employment, Social Affairs and Equal Opportunities and to the Employment Committee Indicators Group twice a year.
LMP statistics – limitations of the data

In providing quantitative data on expenditure and participants associated with the interventions as well as detailed descriptions on how the interventions function, Eurostat's LMP statistics can offer a wealth of information. However, there are also some well known limitations of the statistics.

**Timeliness:** Annual LMP statistics only become available with a delay of approximately 18 months.

**Coverage:** One major challenge for the national delegates providing LMP data to Eurostat is to identify all relevant national interventions and to include all relevant interventions in the statistics; missing interventions result in underreporting of LMP expenditure and participants. LMP statistics are based on administrative data, and quite often countries are not able to provide data for an existing intervention at the requested level of detail. As a result, especially indicators which are based on detailed breakdowns of participants cannot be calculated. Moreover, recent research indicates that not all countries are able to include all relevant programmes funded by the ESF (European Social Fund); this also results in a certain underreporting of expenditure and participant numbers.

**Relevance:** Countries more and more design and use programmes of integrated service delivery, i.e. the LMP interventions combine different types of action (e.g. job counselling with training or work experience). In the LMP database, such integrated programmes are treated as mixed interventions, i.e. the programme is split into different actions by type. A better adaptation of the LMP methodology for these integrated programmes could be desirable. Furthermore, LMP statistics can only provide information about the input, i.e. how much money was spent and how many people participated, but there is no coherent information available to show whether participants remain unemployed after the measure or whether they find work.

Eurostat will look further into these issues, together with the Member States, and will continue to work on the assurance and further improvement of the quality of the data published.
II. Ways to move forward

5. Smart employment services work

_Joost Bollens, HIVA/KULeuven (red.)_
_Jos Raymenants, DWSE (red.)_

More than with regard to all the other measures discussed, there is often a positive effect with regard to measures that help job-seekers in finding employment or impose sanctions when they make insufficient efforts to search for employment, both regarding root approach (help in finding employment) as concerning branch approach (sanctions).

Guidance for job-seekers is aimed at supporting the job-seeker in finding employment. This may include training in job application skills, guidance in mapping out one’s own strengths and weaknesses, offering job-seekers the appropriate vacancies, etcetera. This guidance can also take place by means of a more disciplined approach, such as imposing sanctions for the unemployment benefit when job-seekers make insufficient efforts, or by means of the so-called threat effect which goes out from imposing an obliged participation in an activating measure.

More than with regard to all the other measures discussed, there is often a positive effect with regard to measures that help job-seekers in finding employment or impose sanctions when they make insufficient efforts to search for employment, both regarding root approach (help in finding employment) as concerning branch approach (sanctions). Furthermore, the guidance of job-seekers is relatively inexpensive per participant. The cost-effectiveness of these measures is higher than of all the other measures discussed. As opposed to these two crucial advantages, there is the fact that the obtained effects are logically effects in the short term. This suggests that one must continue to focus on this type of measures that will, on the other hand, if more structural effects are wanted, possibly need to be completed with other measures, such as intelligent design training programmes.

In the session on guidance and counselling, _Michael Rosholm (Universiteit Aarhus)_ discussed his experimental research into the origin of the Danish employment miracle.

Rosholm examined whether specific measures of active labour market policy had an effect on the chance of outflow from unemployment for Danish workers who became recently unemployed. Within the group of unemployed people who were eligible for participation in the measure, a part was guided to the measure by chance, whereas the other part was not allowed/did not have to participate. This last group thus acted as reference group to assess the effect of the measure.

In 2008, a new experiment was created to answer a certain number of questions that were left unanswered during previous experiments. To this effect, an
alternative programme was offered to the workers who had recently become unemployed in four different regions. The first group was invited to participate in a group meeting every two weeks. The second group had an individual consultation with a case worker every week. In the third group, an activation programme was started after 13 weeks. And in the fourth group finally, an activation programme was combined with a group meeting every two weeks.

A general finding was that an intensive labour market policy did indeed considerably increase the chance of outflow from unemployment. In addition, there were however also a certain number of more surprising findings: the group meetings clearly had a positive effect on the chance of outflow of women, but not of men. With regard to early activation (after 13 weeks), there was a clear "threat effect", which strikingly only was of importance to men. After the announcement that they will have to participate, the threat effect causes people who do not like participation in an activation measure to increase their efforts in finding employment and/or to accept certain job vacancies faster in order to escape participation.

During his overview, **Ludo Struyven (HIVA, Leuven)** evaluated the tendency to outsource services with regard to employment services. In the past, employment services were the exclusive sector of the public authorities in many western European countries, but about a decade ago this strongly changed. According to Struyven, this change started with the search for new mechanisms and organisational structures to strengthen the economic efficiency of the labour market system. Three important policy changes were launched: the reform of the allowance system, the development of a personalised approach of support and guidance and the reform of the public employment services (PES).

The reform of the allowance system meant in the first place that the conditions to become eligible for allowances became stricter. From now on, job-seekers were also encouraged to search for employment actively. They must also prove that they did in fact make the necessary efforts to search for employment. In addition, they were obliged to attend schooling and training courses to increase their chances of employment. In other words, making the allowance system stricter was linked to an activation approach. The reform of the employment services on the whole come down to the introduction of a personalised guidance approach. From now on, job-seekers regularly entered into contact with the PES, the access to following training courses became more flexible and a specific approach was developed for certain target groups.

This new approach led to the extension of the role and function of the PES, making other actors come to the fore. From now on, certain services were outsourced to private employment services offices, as a result of which the PES gradually lost its monopoly on the provision of services with regard to employment services. Furthermore, the increasing competition of private (and sometimes local) actors led to a redefinition of the role of the PES. The PES gradually evolved towards the role of labour market director, while the job placement was increasingly outsourced to private actors.

Up till now, very few studies have mapped out the impact of these reforms in the field of employment services. Nevertheless, three countries recently conducted
impact studies, namely France, Germany and the UK. They particularly paid attention to the performance of both public and private employment services actors.

In France, there was in the first instance an outsourcing of employment services for long-term unemployed people to local actors. In addition, a large-scale experiment took place randomly assigning about 200,000 job-seekers to PES and private actors. It appeared during the evaluation that the PES achieved faster and better results, although this was partially due to the reinforced cooperation with private actors. Political factors were partially responsible for this result, together with the fact that the PES did no longer identify itself with job-seekers who were assigned to private actors. Sometimes, the activities of the latter were even hindered by the PES.

The German reform was characterised to a large extent by the introduction of the ‘voucher’ system. Employment services were outsourced to private actors by means of this system. This system appeared to generate positive effects for male immigrant job-seekers between 35 and 49 years old especially. Eastern German male job-seekers younger than 25 years old also enjoyed qualitative employment services. The outsourcing of employment services to private actors was disadvantageous on the other hand for eastern German job-seekers aged over 30 with some experience on the labour market. Furthermore, the voucher system was suitable for abuse and led to ‘deadweight’ effects as a result. The failure of the ‘voucher’ system was partially due to the strong price competition, which paved the way to dumping. Furthermore, the quality of the services performed was not taken into account during the selection procedure. Finally, there was also very little attention for the guidance of target groups such as long-term unemployed people.

In the UK, the reforms were marked a decade ago by the introduction of 'New Deals' (ND): the outsourcing of employment services to private actors and with specific focus on the most vulnerable groups (for instance: single persons, occupationally disabled people, 50+). Evaluation showed that this reform principally brought about a positive effect with regard to the outflow to employment (an increase between 5-24%). A personal guidance approach, strict follow-up and the increasing use of sanctions helped lay the foundations for these good results. Nevertheless, the ND also had their flaws. The outflow to employment was for instance a lot more limited for ethnic minorities and long-term unemployed people.

At the beginning of the year 2000, Employment Zones (EZ) were introduced in 15 areas with a high unemployment rate. EZ are based on outsourcing contracts from 3 to 5 years and have a very result-oriented character. In the field of performance, the EZ can be compared with public actors, such as the Job Centres, which makes them an interesting subject of policy evaluation. The fact that job-seekers who enjoyed employment services by EZ had a 10% more chance of flowing out to employment within 10 months was especially striking. Halfway through the first decade of the 21st century, the ‘Pathways to Work’ were launched, building on the contract philosophy of the EZ. Evaluation studies showed that, in spite of the positive results, the partnership between private and public employment services actors came under pressure because of this contract basis. As a result, there was a disproportion of power in the division of tasks between the so-called ‘first providers’ and external partners. The first providers for instance focus mainly on job-seekers who require less guidance attention under pressure of the management, whereas partners pay more attention to matters that are not directly work-related.
On the basis of policy evaluation research, Struyven concludes that the outsourcing of employment services to private actors can be optimised by creating adapted decision-making structures with an eye to more flexibility, a better coordination with local actors with an eye to customization and the right incentives for the different partners.

Bas van der Klaauw (Volksuniversiteit, Amsterdam) completed the session on guidance with an overview of the impact of financial incentives and sanctions on the chances of employment of job-seekers. His analysis is based to a large extent on the experiences of the city of Rotterdam. This city introduced employment grants in 1997 to improve the chances of finding employment of long-term unemployed people. Job-seekers are also obliged to actively search for employment, to accept job vacancies and to take part in the active labour market policy. If they refuse to do so, they can temporarily lose a part of their unemployment allowance (5 to 10% for 1 to 2 months). However, when job-seekers stay employed for 6 months, they receive a grant of 450 EUR. The ‘carrot and stick’ policy pursued by the city of Rotterdam has paid off: respectively 49.2% of the male and 40.4% of the female (newly entered) job-seekers depending on an allowance flowed out to employment again between 2000 and 2003. Furthermore, evaluation studies confirm the encouraging effect of financial incentives and sanctions on the transition of long-term job-seekers to work. Sanctions in particular appear to be highly efficient activation instruments.
The employment services in the Member States need to be 'intelligent' and 'multi-channelling'. This implies that they should rather intensively ‘coach’ job-seekers than ‘guide’ them, especially with regard to those that are left to their own devices.

A first model

An ambitious strategy was launched at the Lisbon European Council in 2000. By 2010, the European Union needed to be transformed into the most progressive and prosperous region in the world. The final objective aimed at the creation of full employment. The European employment guidelines formulated clear objectives. A new start needed to be offered to every young unemployed person before the sixth month of unemployment and to adults before the 12th month of unemployment. This would take place in the form of education courses, training, retraining, work, work experience and, if necessary, by means of permanent support in searching employment. In addition, 25% of the long-term unemployed will be activated. The objective was to reduce the risk of long-term unemployment and to unfold a safety net for job-seekers in a disadvantaged situation.

This resulted in an agreement between the federal state, the regions and communities in 2004. As opposed to this right to guidance, a stricter control of the compliance with the obligations of unemployed persons within the framework of the allocation of unemployment benefits was laid down.

Subsequently, Flanders translated this into stricter objectives in the Flemish Coalition Agreement 2004-2009. The tailored approach was launched. It stipulated that every job-seeker had to be offered an appropriate offer in due time. The “shortest way to sustainable employment” was understood by 'appropriate offer'. This was translated operationally into a preventive approach (preventing long-term unemployment) and a curative approach (activation of the long-term unemployed). The realisation of this tailored approach became the basis of the activities for job-seekers. A right to an adapted and free offer aimed at sustainable employment, including access to free vocational training. The agreement was translated into quantifiable objectives such as scope, representation of underprivileged groups, outflow objectives and monitoring of results. In doing so, Flanders went further than what was expected within the framework of the European Employment strategy and the cooperation agreement of 30/04/2004. In this context, Flanders could base itself on the experiences of the past 15 years with regard to guiding and training job-seekers. These previous actions were questioned however, on the basis of effectiveness, cost-price and result-orientation. Adjustment was more than necessary, but expertise had been developed in any case.

The introduction of the tailored approach led to a far-reaching modification of the approach by the VDAB (the Flemish Service for Employment and Vocational Training). Within a set term, all job-seekers are faced with the service provision of the VDAB. Whereas the VDAB waited up till now to receive a request for support, it now acted proactively. The paradigm of activation clearly determined this approach.
Labour received a more central position. Partially under the influence of the changing economic situation, the demand of the labour market became more important and in this way also the activation of available reserves.

For reasons of efficient use of resources and to avoid ‘deadweight’ effects, the choice was made to use a guidance model in different stages. This model implies that as the complexity of the service provision increases, automated channels (web, call-centre) are replaced by face-to-face service provision and specialised (personal) guidance. This implies that as more intensive guidance is provided, there will also be an increase in costs, which requires a balance with regard to the services provided. In 2004, the VDAB developed a guidance model in different stages for preventive action that provides a moment for registration as a first stage in function of an employable dossier, which makes it possible to provide appropriate vacancies. After three or six months (in function of age and qualifications), the citizen who is still searching employment is screened by means of a contact by phone for certain skills and application behaviour (second stage). If this person is still searching employment after six or nine months, an intake is provided, in function of individual pathway guidance (third stage). The model is thus characterised by fixed and standardised moments, supposed autonomy and the ability to use tools for highly skilled people and a faster service provision for young people and unskilled persons. The curative activities are set 2 years after the preventive course. Persons younger than 25 years old will be invited for an intake, an orientation part and possibly activation guidance after 15 months, persons over 25 after 21 months. In addition, permanent guidance serves as a connecting thread throughout the actions in both the preventive as the curative course. When this curative approach was introduced in 2004, phased implementation was chosen, given the high numbers. Between 2004 and 2007, the persons younger than 30 years old were taken in first, later the persons between 30 and 40 and finally the persons from 40 to 50.

**Further evolutions**

Since the nineties, Flanders has built up experience in working with partners. Partially because of a change in labour market politics, players from the profit as well as the non-profit sector were given more space to work on the labour market. The VDAB increasingly worked with them too. The Flemish authorities aimed at realising the policy priorities in a more effective manner by allowing more partners on the market and harmonising them. Government resources had to be used to purchase complementary service provision. An experiment with regard to course tendering was launched in 2006. 6,000 job-seekers from curative activities were guided towards employment by partner organisations. Activities in conformity with the market were introduced in the management agreement between the VDAB and the Flemish Authorities. After its conclusion, the experiment was subject to thorough evaluation in the field of relevance, coherence, effectiveness, efficiency, used procedure, methodology, financial implications and etcetera. The lessons to be learnt were taken into account for outsourcing contracts that were established later. Since then, the VDAB played less the part of central service provider but more the part of labour market regulator (director).

The insight also grew that in order to increase the employment rate, certain groups needed to be given opportunities. The underprivileged groups approach was born. The VDAB evolved towards an inclusive approach. The central policy objective set out that more people should be employed. Subgroups such as the elderly, short-skilled people, immigrants and people with a work-limiting disability were included by means of this underprivileged groups approach. In order to counter
displacement effects, the public service provider was given a clear role. The VDAB needed to provide an additional safety net by extending the service provision.

This policy choice was attached to the tailored approach by imposing an overrepresentation of the underprivileged groups in the third stage (pathway counselling). Concrete objectives with regard to overrepresentation, outflow from unemployment and work were fixed. They were strengthened by federal measures in the ‘meerbanenplan’ (more jobs scheme). In addition, a separate model was established for people over 50 from 2006 onwards. The cooperation agreement of 2004 did not contain a part on the approach of people over 50. Nevertheless, the low activity rate demanded concrete action. The model for people over 50 became obligatory for job-seekers aged up to 52 years old and voluntary for those older than this age. After a moment for registration in function of an employable dossier, obligatory information is provided three months after the registration. The persons over 50 are free to choose them with the VDAB or with the consultants from the different trade unions who specialise in keeping job-seekers up-to-date. After the obligatory information, they are invited to join the 50+ club. It is voluntary but not free of engagements. The job-seekers will have the opportunity to go into a full consideration of orientation, application training and application space (actually applying under supervision). Currently, this model is subject to a thorough evaluation and, in consultation with the social partners, an adaptation of the approach will be provided in 2011.

Towards further differentiation

On the other hand, the guidance model in different stages as described above appeared not always to produce the desired effects for young people. Stage 2 by means of the service line (call centre) was dropped so that the young job-seeker was immediately invited. The aim of this was to considerably shorten the pathway. In 2005, the project “Steden- en gemeenteplan met betrekking tot de jeugdwerkloosheid” (‘Plan for cities and municipalities with regard to youth unemployment’) became operational. In an experimental manner, 13 cities with high youth unemployment rates adopted a new approach for young people. The intention was to set up innovative and supply-oriented actions. The model provided continuous matching in real time (via CMS), atypical guidance pathways with partners, job hunting, job coaching, job dating. This led to an important decrease in youth employment. For the approach of the VDAB, this meant that the uniform routing of the tailored approach was broken. These experiments taught different lessons which were taken into account within the framework of a generalisation of the model throughout Flanders as of 2008. They included, among other things: responding swiftly (do not let young people slide down in long-term unemployment and avoid the accumulation of negative experiences), not letting them off the hook through continuous individual follow-up and support, the importance of a trusted person, the provision of a story with clear rights and obligations, the opportunity to receive a realistic opinion on the labour market, the cooperation with partners who can add specific expertise. The policy was adapted on the basis of the effects that were experienced. Consequently, the Youth Employment Plan (JWP) was introduced in 2008 as a generalised model and a further form of tailored approach.

This shift towards tailored approach also gave rise to a certain number of bottlenecks, partially because of rather technical affairs (automatic matching is not always a strong guarantee for appropriate vacancies, the economic crisis led to greater numbers of job-seekers, consultants had to face a greater administrative
burden because of the more frequent follow-up given the fact that young people often do not show up when employment is short and temporary or do not respond to invitations at all) and partially because of the changing culture among consultants (the transition from strict guidelines towards the provision of a tailored approach, based on the profile and the competencies of the job-seeker, was not obvious for every collaborator). The bottlenecks were remedied through technical adaptations, more collective working, organisational adaptations and the individual coaching of consultants.

The expertise with regard to underprivileged groups that had been built up in the meantime also led to a further differentiation of the approach. The VDAB was given more responsibilities for guiding persons with a work-limiting disability. The inclusive pathway in cooperation with a specialised partner, GTB (Specialised Service for Pathway Determination and Guidance), became a fact. In this context, it is essential to provide guidance within the regular activities and to refer to specialised services if necessary.

In addition to adaptations with regard to the approach of young people, the context of the tailored approach changed as of 2006. The shortages on the labour market demanded more demand-oriented services. Bottlenecks on the market must be tackled through the focus on work (visible in the interest of a matchable file, thorough, sectoral, screenings and other means). The mix of channels was further developed. Direct and effective guidance clearly gained importance. In addition, the stricter approach became a fact. A new balance was sought between rights, duties and opportunities.

The curative activities were also subject to further developments. The experience of the past years had shown that in the group of long-term unemployed, there was a group of job-seekers characterised by serious medical, mental, psychological or psychiatric problems. Cooperation with specialised partners from the field of well-being and care was more than recommended. The presence of mobility issues, care tasks and inactivity traps also learned that cooperation with other partners and actors from different domains of competence and policy domains was recommended. On the basis of this experience, policy adapted itself and diverse actions were implemented such as special pathways, better mapping out the different partners, and cooperation with other actors such as the OCMW (public centre for social welfare). This all led to clear results such as a decrease of the number of long-term unemployment entries, the almost all-embracing reach of all the job-seekers’ cohorts (both preventive and curative), the overrepresentation of underprivileged groups and an increased outflow for underprivileged groups as well.

Towards a tailored made suit

Although the tailored approach clearly appeared successful, further evolution presented itself. The tailored approach was aimed at larger volumes in particular and the model in different stages was steered by criteria open to objectification (age and period of unemployment). The model shows very little flexibility and not enough opportunities for proactive intervention. For those who are furthest from the labour market, precious time was lost. The three-six-nine model had its merits but it needed to be adapted.

The tailored suit aims to find employment services, guidance and/or training for every job-seeker in time, according to their individual needs. This implies a more differentiated approach, less fixed systematics, leaving a strictly linear approach
given the fact that this does not (always) work for certain underprivileged groups. The further evolution in technology, such as business intelligence processes and data mining, also allows to better assess the distance between the job-seeker and the labour market in a 'smart' manner and to provide the appropriate services.

From now on, the service provision is modelled on the basis of the determination of the job-seekers’ individual position, instead of based on age and period of unemployment. In terms of policy, the signal was given to apply the JWP methodology to persons between 25 and 50 years old as well. Every job-seeker deserves an approach that is tailored to his or her problems. The increasing unemployment as of 2008 also required that the model be adapted in function of the feasibility of the capacity of the VDAB and its partners. It is essential that the job-seeker can immediately have a matchable file at his disposal and with regard to those for whom this cannot be anticipated directly, the problem should be detected, tackled or referred to an appropriate solution as soon as possible. The continuous assessment, making of (intermediary) diagnostics and (re)orientation are of great importance.

More intensified interventions will take place on the basis of placement ability. By means of data analysis, the place on the “chart” will be defined and action will be determined. Given the fact that the labour market also shows regional characteristics, regional accents can be included. The inclusion of “indicators” (such as low literacy, knowledge of the Dutch language, basic IT skills, application skills) must allow fast and appropriate intervention. The economic crisis of 2008-2009 also learned that actions within the framework of restructuring are necessary. In Flanders, outplacement is provided by partners, but when there is no job available for the person concerned after this guidance, a fast and ‘warm’ transfer to the VDAB must be guaranteed. In addition, efforts are made on the vacancy side to cooperate with partners of the employers’ side within the framework of employment services for underprivileged groups. Tools such as the ‘job indicator’ allow monitoring the progress of someone's unemployment pathway and assessing his position. Permanent quantitative and qualitative monitoring up to the individual consultant level allows for continuous adaptation. Tailoring becomes a fact.

And beyond a tailored suit?

In spite of the lessons drawn from the tailored approach and the more individualised approach in the tailored suit, this model does not provide a complete answer to all the new challenges such as the lasting bottlenecks with regard to certain desired profiles on the labour market either, new challenges such as the ageing of the population, poverty, the lasting outflow of unqualified profiles from education and the will to activate all talents within the framework of the future labour market. The paradigm of work is replaced by another paradigm where work, learning and leisure time receive an own place. The transitional labour market manifests itself. This evolution will unquestionably have its repercussions on the service provision. A stronger focus on competence management, further evolutions in the use of 'smart' technology in order to be able to provide activities with very little added value in an efficient manner, autonomy and international employment services will shape this further.

In a period of 10 years, the VDAB and its partners have continuously adapted their service provision with regard to methodology, process flow and structure and this on the basis of a changing labour market context, new policy insights and measures, learning effects on the basis of continuous monitoring and growing cost-efficiency awareness. Given the many challenges which we will have to face in the
following years, this will be the case more than ever and it will require a permanent active labour market policy from all parties concerned.
6. Training: an investment in the long term

Joost Bollens, HIVA/KULeuven (red.)

In any case, there are also indications showing that some training courses can certainly have a positive impact in the long term, even though the impact in the short term was less favourable. The cost price is important here, and consequently one should always bear the cost-effectiveness in mind.

In the past, it repeatedly appeared that training programmes for unemployed persons had very little positive – or even only negative – effects. An explanation that has often been put forward is the so-called locking-in effect: because he is following training courses, the unemployed person stays unemployed for a longer period of time – on average – than if he had not followed the training. It was suspected on the other hand that these negative effects in the short term could possibly be compensated by positive effects in the longer term: by following training courses, it is true that persons stay unemployed for a longer period of time, but it is easier for them to find better and/or more sustainable employment afterwards. Nevertheless, these medium term effects were insufficiently examined in earlier studies.

The meta-analysis by Jochen Kluve (RWI, Essen) shows that there are only very few unambiguous results in the short term, with a modest positive impact on the chances of finding employment after the participation in training programmes. Recent studies show that the effects of training courses are much more clearly positive in the long term.

Furthermore, the positive effects of training programmes appear to be connected in particular to periods of high unemployment rates. This can possibly be explained by the fact that in times of high unemployment rates, the composition of the unemployment also changes, i.e. that there is a higher entry of more relatively good qualified unemployed persons in the training programmes. In this case, the positive effect in times of high unemployment rates is rather to be ascribed to a higher selectivity than that it would prove that the training courses are more effective in such circumstances. Logically, locking-in will also play a lesser role in times of high unemployment rates. Evidently, this also explains the better effects that were found in times of high unemployment rates.

The fact that some training programmes have an effect and that others do not, raises the question to identify which characteristics of the training programme lead to a positive effect and which lead to a negative effect. The conference has no answer to this question. Further research in this matter is required, given the fact that possible explanations may be highly diverse: labour market orientation/bottleneck characteristics of the training, classroom ex cathedra versus on-site, characteristics of the participants, etcetera. It should be remembered that some training programmes can certainly have positive effects in the long term, even when the effects in the short term were less favourable. One should certainly also bear the cost-effectiveness in mind. Providing training courses costs money and the locking-in effect also has a certain social cost.
In his presentation, **Michael Lechner (University of Sankt Gallen)** explained the effectiveness of recent German activation programmes, including a certain number of training programmes. The findings of Lechner’s research run parallel to Kluve’s study and the general conclusions of the conference to a large extent. All the measures examined by Lechner had negative effects on the employment rate in the short term, resulting from locking-in effects. On the other hand, some training programmes had positive effects in the longer term, i.e. after 3 to 4 years, or even later, depending on the duration of the programmes themselves. It was also remarkable that the effectiveness of the programmes was higher in periods of recession, probably because the locking-in effect plays a lesser role then, given the fact that also those who do not participate have more difficulties in finding employment.

**Jespersen, Munch en Skipper** also discussed the costs and benefits of large-scale training programmes in further detail. Since 1994, unemployed workers in the Danish labour market have participated in active labour market programmes on a large scale. Treatment effects are estimated on a very detailed administrative dataset by propensity score matching. It turns out due to the authors to be very important to derive long-term treatment effects, since participants in most programmes initially experience severe and long lasting negative locking-in effects due to programmes of long duration. Positive post-programme employment effects eventually come to dominate, but typically not until after 1-3 years. For the years 1995-2000, it is found that private job training has positive employment and earnings effects, but also public job training end up with positive effects when a long enough time horizon is allowed for. Classroom training does not significantly improve employment or earnings prospects in the long run. The earnings effects are subsequently used as input in a cost-benefit analysis that also accounts for direct operation costs of the programmes corrected for marginal costs of public funding. When the cost side is taken into account, private and public job training still come out with surpluses, while classroom training leads to a deficit.
7. Subsidies for wage costs: searching for focus and embedding

Jan Vanthuyne, FOD Waso (red.)

Target group measures should be aimed at and should only be considered as supplementary to a good general employment policy. In a well-functioning labour market, the chances also increase that specific target group measures function, entailing minimum displacement and substitution.

In their employment policy, most of the EU Member States use the technique of government intervention in the wage costs as a means to encourage the recruitment and keeping employed of workers who belong to a specific target group. The underlying motivation is that the productivity of these workers is often lower, which often causes employers not to be inclined to recruit these workers or to keep them employed at the ‘normal’ cost price. In many countries, government subsidies are also used to encourage the transition from inactivity to self-employed entrepreneurship and to help carry the costs that are to be made at the start.

Consequently, most of these government interventions are of a temporary nature: especially upon the start of the employment, the lack of experience and competences may cause tension between the costs and benefits for the employer. As a result, the duration of this intervention is often determined on the basis of the distance of the candidate/worker to the labour market, using criteria such as period of inactivity, level of education, experience, competences, age, etcetera, often in combination, to determine the amount and duration of the intervention. For some categories of workers, those for whom the lower productivity is not temporary but rather has a permanent nature, permanent subsidies for wage costs are sometimes allocated: this is the case for certain occupationally disabled workers for instance.

The techniques used to determine this do not only vary between the different Member States, but also within one single Member State and sometimes several techniques are used as well, sometimes in combination for the same worker. Generally speaking, the following techniques can be distinguished:

- lowering the amounts that are normally due for social security, with a choice between a decrease of employer contributions, worker contributions, or a combination of both. Sometimes, the fiscal option is also taken as an alternative;
- the active use of the benefits (unemployment, sickness, income support, …) that the worker enjoyed before his recruitment;
- the direct creation of subsidised jobs;
- start-up grants for beginning self-employed persons and entrepreneurs;

In this context, a well-defined the target group is of the utmost importance. After all, there is always a certain tension between on the one hand the choice for such a target group approach and on the other hand a policy of general decrease of the wage costs, in particular for the lower incomes. A target group approach increases the chances of marginalisation of those who did not meet the target group definition by much. Furthermore, this increases the risk of substitution effects, displacement effects and deadweight effects.

During the thematic session, 3 concrete measures were evaluated, varying both with regard to target group (beginning self-employed persons, occupationally
disabled and elderly people) as to technique of wage cost decrease (start-up grants, permanent subsidies for jobs and temporary decrease of employer contributions to social security).

**Marco Caliendo (IZA)** presented an evaluation of 2 systems in Germany that support the transition from unemployment to self-employed entrepreneurship, systems that occupy an important place within the German ALMP. The two systems, the “bridging allowance” on the one hand and the “start-up subsidy” on the other hand vary in length and height of the intervention. It was examined whether these programmes were effective in avoiding unemployment, in integrating in work as wage earner or as self-employed and in increasing the individuals’ income. It was found for both programmes that after 56 months, more than 80% of the participants were still employed, whereas this was only 63% in the control group without measures. Regarding income, there was very little difference between the control group and the “start-up-subsidy”, while there was a markedly higher income for the participants in the “bridging allowance” programme. The “bridging allowance” also generated more derived employment, because a part of the participants had become employers themselves after 56 months and employed a certain number of workers. This effect was very limited however. Furthermore, it was found that these programmes were most effective for low-skilled participants: developing an independent activity constitutes for them a way out of the supply of jobs in wage earning employment that is too limited. For the same reason, it was also found that the effect is highest in regions with a weak labour market. In addition to these positive findings, there were also a number of considerations: there was no evaluation, for instance, neither of the macroeconomic effects, nor of the volume of deadweight effects. Both programmes were replaced in 2006 by a new programme (gründungszuschuss).

**Erik Samoy (Flemish Authorities, Department of Work and Social Economy)** on the other hand further examined more than 40 years of Belgian and Flemish policy with regard to the integration of disabled persons in the labour market. Whereas wage cost subsidies were very limited in the beginning period (1963) (only for the recruitment of unemployed persons in the private sector, with a subsidy limited in time and limited to a % of the minimum wage), there has been a gradual extension, especially during the past years, with the ‘Vlaamse Ondersteuningspremie’ (Flemish Support Grant) I (2008) and II (2010): in addition to unemployed persons, employed persons are now also part of the target group, the subsidy comprehends a percentage of the real wage cost, some subsidies are unlimited in time and besides the private sector, employers from the public sector are also eligible.

For Flanders, this led to an increase in the number of subsidies of 2,000 in 1990 to 7,300 in 2009. The recent programmes also recorded an increase in the number of low-skilled persons. The speaker had to come to the conclusion that real evaluations of the different systems are rather exceptional. A study from 1985 revealed that 1/3 of the employers found that there was actually no (more) loss in productivity, while the subsidy was still paid. In a study from 2005, approximately half of the employers even admitted that there was actually no more real reason to keep paying the grant. On the other hand, half of the employers said that the disabled person would not have been recruited without the grant. A very recent evaluation of 2010 revealed that only a minority of all disabled people had any insight themselves in the way the subsidy is used for their job. Erik Samoy pleaded
in favour of more tailored work and a better combination of disablement benefits and (income from) work.

Thomas Zwick (Ludwig Maximilians University, München) discussed the performance of recruitment subsidies for older unemployed persons in Germany. The Eingliederungszuschuss aims at the integration of unemployed persons over 50 by allocating an important subsidy to the employer: 50% of the total labour costs and this for 24 months. After evaluation, it appeared that the subsidies for male unemployed persons had very little effect (mainly because of deadweight effects). However, there were clear positive effects for women in former East Germany. In explanation of this, Thomas Zwick mentioned, among other things, the greater income elasticity for women and the fact that the subsidies for employers in East Germany lasted longer. In his conclusions, he pleaded in favour of an improvement of the evaluation of employment measures, where administrative data are combined with research questions. For such a target group approach, he also underlined the importance of a good target group description, where possible deadweight effects are examined from the conception.

Conclusion

A good working labour market benefits everyone, but in particular those groups that have problems to enter the market normally. In this context, a target group approach may neither be an excuse, nor an alternative for necessary general labour market reforms. Target group measures should be aimed at and should only be considered as supplementary to a good general employment policy. In a well-functioning labour market, the chances also increase that specific target group measures function, entailing minimum displacement and substitution. A guideline for the target group measures themselves should be “better targeting, better implementation, better evaluation”. Regarding the evaluation of such measures, it is important to find a balance between the expectations of the policy makers and the scientific professionalism of the evaluators. For a good evaluation, a programme is required to continue over a period of time; but policy makers often do not have that time: after every election, the new government wants to lay new accents and establish new plans. These stop-and-go politics were also clearly revealed in the 3 cases that were presented. This balance can probably best be achieved by immediately anticipating from the conception of a measure how it will be evaluated, in addition to which it is advisable to work in two phases: a limited basic evaluation over a relatively short period of time, which is perhaps less scientific, that is later supplemented with an extensive and thorough evaluation. Because there can be no doubt that the policy is still insufficiently based on the evaluation of the existing policy.
8. Job to job activation

Jos Raymenants, Department WSE (red.)

During the process of retraining, the Member States should make more efforts to coach workers made redundant and give them new career perspectives. Within the framework of employment units, employment agencies and employment services, every effort should be made to ensure a successful transition through reorientation. For the elderly in particular, a strong and specific ALMP must be developed in order to protect them from inactivity.

The guidance and reorientation of workers made redundant with an eye to new career perspectives constitutes an important challenge for the labour market policy. Activation instruments such as employment units traditionally play an important part in ensuring a successful job-to-job transition to prevent long-term inactivity for job-seekers. Within the current framework of flexicurity, with special focus on career security, the debate on restructuring occupies a significant place.

John Hurley (Eurofound, Dublin) opened the session with an analysis of the working of the activation instruments in the EU Member States since the crisis and this on the basis of the correspondence network of Eurofound. It revealed that many Member States, especially in Central and East Europe, have recourse to passive labour market measures with regard to financing (although the distinction is sometimes difficult to make). Especially Member States that have fallen victim to a sudden increase in employment rate often made use of unemployment benefits in combination with lower expenditure in the field of activation. These investments remained on the same level in Germany and the Scandinavian countries, such as Sweden.

What strikes the most is that 40% of the investments for activation were spent on training programmes. Although training programmes are relatively expensive, they appear to generate positive effects especially in times of crisis (for instance maintaining the competences of workers). In many Member States, the European Social Fund played an important role as investment source for activation. Furthermore, many activation measures were strengthened and had a clear focus: they were aimed at groups that are furthest from the labour market (underprivileged groups and young people). During the crisis, a tendency could also be observed towards a certain conditionality of certain allowances, possibly followed by sanctions. From the point of view of cost-effectiveness, the activation measures were based on conditionality and were in most cases evaluated positively. It should be noted however that, generally speaking, activation measures lose effectiveness during a crisis.

As second speaker during this session, researcher Frank Tros (University of Amsterdam, The Netherlands) gave an overall picture of the Dutch restructuring policy and the approach in the field of job-to-job transitions. According to Mr Tros, a successful transition policy depends on a number of criteria. The focus must not only lie on the flexibility/mobility of workers. The speaker emphasised that there must also be attention for the aspects of security and quality of the jobs. He also pointed out that restructuring must be preceded by a proactive intervention policy with an eye to possible guidance towards high-quality jobs. Furthermore, different
actors need to be involved in the restructuring policy: trade unions, third parties, but also employers (through incentives). Presently, the right of dismissal is subject to a lot of discussion in the Netherlands. After all, dismissing someone involves high costs for the employer. Furthermore, these costs often have a passive nature: most of the money is indeed spent on severance pay, as opposed to rather marginal expenses for training and guidance. This is why more and more people are saying that the right of dismissal should be strongly deregulated. On the other hand, the researcher raises the question to what extent making this more flexible is compatible with workability requirements. One possibility would be the obligation to set aside a larger part of the severance pay for investments in training and education. Or workers could keep working (even after their dismissal) until they have found a new job. For now, there is no consensus on making the right of dismissal more flexible in The Netherlands.

In the Dutch activation policy after the crisis, an important role is awarded to mobility centres in order to facilitate the job-to-job transitions, both in the preventive as in the curative phase, as well as in the drafting of social plans. These local centres employ 650 supplementary consultants of the employment services on a temporary basis. These centres are based on private-public partnerships at the local level and function on the basis of a bottom-up approach. In addition, the centres have a project-based nature with a specific focus on prevention on outplacement. Nevertheless, there are currently very few evaluation studies on the functioning of mobility centres towards job-to-job transitions.

After that, Lieve De Lathouwer (Department of Work and Social Economy) took the floor and gave an overview of the active restructuring policy in Flanders with a specific focus on the elderly. In the first instance, the Flemish enterprises pursued a preventive restructuring policy during the crisis. Flemish measures, such as the bridging grant and reduction of working hours encouraged enterprises to keep people at work. In this manner, high severance costs were avoided for employers and at the same time, job security was guaranteed for workers. It must be noted however that workers made very little use of the training incentives that were provided. In Flanders, only 7.4% participated in continuing education in 2009 (only 5% of the persons over 50). Moreover, this raises the question whether a larger role of the social partners can strengthen the preventive policy.

With regard to the curative policy, the employment units play an important role in Flanders. These units are crucial in facilitating a job-to-job transition and in pushing back the dependence on benefits of new job-seekers. These units coordinate all actions with regard to the reintegration of job-seekers on the labour market: outplacement, guidance, training and education. There are currently 15 permanent employment units in Flanders (especially for SMEs) and a number of specific employment units at company level (large enterprises). Outplacement is paid for through the former employer and implemented by private employment services offices. To ensure a proper functioning of the employment units, 30 social intervention advisors of the VDAB are available to the social partners, spread over 5 provinces. The role of these advisors is to support the social dialogue in the field of the restructuring policy. The regional minister needs to approve the outplacement supply and has the right to evaluate the activation rate of the measures that are taken.

In spite of the employment units, it is found that (passive) allowance remunerations still make up the lion’s share of the enterprises’ budgets, leaving very little budget to finance reintegration initiatives. There is also a need for
increased investments in workability and the internal/external job mobility. The employment units appear to be appropriate instruments for the reintegration of job-seekers on the labour market (although more evaluation studies are required), except for older workers. Many different causes make the reintegration of older workers more difficult: anticipated retirement arrangements, lack of competences, insufficient guidance, the lack of job mobility and the reticence of employers. Finally, it can be noted that the public-private outplacement model pays off, although there is definitely room for self-regulation of private actors.

The session was concluded by means of a contribution by Mr Roger Blanpain (University of Leuven/Tilburg) which largely fits in with the overview of Lieve De Lathouwer. Mr Blanpain emphasised during his plea that the activating restructuring policy in case of collective redundancy is based on four pillars: the reorientation (as soon as possible) of workers made redundant, the creation of an employment unit in function thereof, an outplacement supply and an inclusion grant. Subsequently, Mr Blanpain came to the conclusion that the activating restructuring policy should support workers proactively in the future during their transition from one job to another. After all, the restructuring policy today is of a strong curative nature. In order to shift the focus, it is Mr Blanpain's opinion that a true change of mentality must take place, in the mind of the individual worker as well as in the collective awareness.
We did everything we could; we did it together and with the right attitude. The ability to act that this cooperation made possible is completely unique and provided an unexpectedly good result.

Introduction

In order to prevent inactivity and negative consequences from long-term unemployment amongst the large number of people who were negatively affected by the economic crisis in 2008-2010, Arbetsförmedlingen acted immediately and the Government eased off the resource allocation for Arbetsförmedlingen so that it could help in this situation. We would argue that these efforts have been significant for people's re-entry into the job market. One year after the crisis, all relevant parties were able to answer to the question: What could we have done better when dealing with the mass redundancies at Volvo? All responded with one accord that there was nothing we could have done better. We did everything we could; we did it together and with the right attitude. The ability to act that this cooperation made possible is completely unique and provided an unexpectedly good result.

Background

In May 2008, IF Metall in Gothenburg contacted the Labour Market Area Manager (arbetsmarknadsområdeschefen - AMO) and the manager of the construction employment service (byggarbetsförmedlingen) in Gothenburg for an informal meeting in the trade union premises at Volvo Cars. They participated in a meeting to discuss the service provided by Arbetsförmedlingen for the recently unemployed. Based on the situation in the job market at the time and assessments made in the job market forecast, they were informed that Arbetsförmedlingen's task is to prioritise those individuals who are furthest from the job market.

In June 2008, Volvo Cars gave advance notice of redundancies. This advance warning was then followed by others, mainly within the industry sector.

The economic reversal was quick, and from May 2008 to January 2010, unemployment in the Gothenburg region had more than doubled. The automotive industry stands for 12 percent of the industrial value and 14 percent of exports. Together with its subcontractors, the industry employs 140,000 people - approximately 3.2% of the total number employed in Sweden. The automotive industry is largely concentrated in western Sweden.

Within six months, redundancies increased from 1,000 to 6,000 people in the Gothenburg area. In comparison with the rest of the country, twice as many were made redundant in western Sweden. Redundancies in the automotive industry also affect employment in other sectors; mainly services, trade, construction, transport and private services. The assessment is that if the automotive industry reduces its workforce by 1,000 individuals, a further 1,600 jobs are lost. Between June 2008 and December 2009, 4,610 people in the Gothenburg area were made redundant from Volvo Cars and AB Volvo.

After the first round of redundancies from Volvo Cars, the AMO manager contacted the management at Volvo. An informal group was formed with representatives from Arbetsförmedlingen, Volvo Cars HR department, the Job
Security Foundation (Trygghetsstiftelsen – TRR) and Business Region Gothenburg. The purpose was to inform each other and plan the need for future action.

In parallel with this informal group, a formal advisory group was also formed to carry out the practical work. The focus lay on complementing each party’s resources and allocating tasks in a rational manner. Apart from the Volvo Cars HR department and Arbetsförmedlingen, the advisory group also consisted of representatives from TRR, Startkraft and relevant trade unions.

TRR is a foundation that is based on an outplacement agreement between the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Council for Negotiation and Co-operation (Privattjänstemannakartellen - PTK) and is comprised of the Trygghetsrådet and Startkraft departments. It is the employers’ and employees’ associations that commission TRR.

TRR’s task is to create successful changeovers for the affiliated companies and their employees. The goal is to support employees along their way to new work when they lose or are in danger of losing their jobs because of lack of work.

Work models

Since Arbetsförmedlingen in Gothenburg was already under a lot of strain because of the situation on the job market, management decided to open a temporary Arbetsförmedling, or Employment Service, at Volvo Cars, and a request was immediately put out for employment officers for the Volvo assignment throughout the country. Volvo offered premises and furniture as well as free coffee for the new Arbetsförmedling.

In a situation such as this, time is the deciding factor. Startkraft and Arbetsförmedlingen chose therefore to use the same premises. Since Startkraft, Trygghetsrådet and Af in many ways offered a similar service for guidance and coaching, it was decided that Startkraft's task would be to stand by those who had received notice of their redundancy, providing them with support, challenges and personal advice. They were also active in writing CVs, personal letters, interview training and seminars with various themes relating to the unemployment process, so as to strengthen the individual's self-confidence, etc.

Arbetsförmedlingen focused on identifying current and previous work experience. It was necessary to broaden the search, since there was no work to be found within the automotive industry. Many had spent their entire working life at Volvo and lacked an understanding of how to look for work.

Arbetsförmedlingen also wanted applicants to quickly be given access to all other agencies that could benefit them. On location, therefore, were also other authorities and organisations, such as the education and training providers for universities and colleges, as well as the Swedish Social Insurance Agency (Försäkringskassan). The Swedish Unions within Industry (Facken) had its operations nearby and was therefore not needed permanently inside Arbetsförmedlingen’s premises.

Since the job market in Västra Götaland County offered an insufficient number of openings, efforts were extended so as to strengthen geographical mobility both nationally and via EURES, which provides information on work opportunities on the European job market.

Arbetsförmedlingen carried out recruitment activities with businesses that had indicated a need in advance of coming changes of generations, as well as companies that had received a new or expanded work agreement. These businesses were
parking companies, bus and tram companies, taxi and manpower agencies and consultation businesses that were very interested in the academic skills that were going to be released. The businesses chose to carry out their recruitment together with Af Volvo, since applicants from Volvo were attractive. Those who had been made redundant had already been approved by Volvo at one time, and therefore had a high status because of that. Recruitment meetings provided very good results and, for many, that meant that they never had time to become unemployed before they found new work.

When the Government decided to ease off the prioritisation arrangement for job market policy measures, the so-called *Snabbspåret*, or Fast Track, Arbetsförmedlingen was given access to resources such as work experience, job market training and starting business activities for a maximum of three months. This applied only to persons aged 25 or more. These measures proved to be important efforts for the newly unemployed.

When the number of available jobs suddenly fell, it was important to think in the longer term. Apart from guidance on training, work experience placements became an aid for job seekers to keep their routines, health and skills, as well as to increase those skills where needed. Af also worked actively in order to use work experience places for the purposes of generation change.

When the job market declined further in connection with the global financial crisis, ESF made announcements aimed at those employed and given notice of redundancy, mainly within the automotive industry. In western Sweden, an EU project called Västkraft was granted 50 million SEK in 2009 for initiatives to increase the skills of individuals within the technology sector. Gothenburg Region Association of Local Authorities (Göteborgsregionens kommunalförbund) owns the project, which offered initiatives mainly for people who still had employment. A small number of unemployed people were also included in the project, which ends in June 2011.

Following a Government application in June 2009, the European Globalisation Fund (EGF) granted Sweden about 9.8 million EUR in December 2009 in order to be able to provide measures to help people who had been made redundant from Volvo Cars and its subcontractors. The project involves 15 million EUR, of which the EGF stands for 65 percent.

The Swedish National Agency for Education (Skolverket), Arbetsförmedlingen, the Swedish ESF and the Institute for Labour Market Policy Evaluation (Institutet för arbetsmarknadspolitisk utvärdering - IFAU) are collaborating in order to implement the EGF project. In October 2009, the Government decided that the authorities should start working with the project. Its purpose is to complement the national job market policy. Arbetsförmedlingen can therefore make decisions that occasionally go beyond what they normally do – with, naturally, the support of a job market policy assessment. The efforts must be judged as leading to work.

Comments from the personnel that worked at the Volvo Office are very positive. The project was well-prepared and provided the workers with the desired skills development and job satisfaction. The absence of bureaucracy, the flexibility and good management are also remembered by the workers.

**Conclusion and results**

As early as September 2009, planning started for winding up the *Arbetsförmedling* service for those made redundant in the automotive industry. This meant that the mediation process would instead focus on the quality assurance of
qualifications, updating action plans and planning for the individual's transfer to a normal office.

The cost for the operation in 2009 was calculated to amount to 23,662,000 SEK, broken down into administrative costs at 3,370,000 SEK, 18,846,000 SEK for activity support and 1,446,000 SEK to cover costs for job market policy programmes and activities.

During this period, Arbetsförmedlingen received very positive attention in the mass media and learned that the vast majority of applicants were very satisfied with the way they were treated and the support they received.

In autumn 2009, employers began recruiting again, although very moderately. In February 2010, the job market reversed and unemployment began to fall.

Of the 2,675 persons who were registered with Af Volvo during the period between 01/11/08 and 31/10/09, 55% received some kind of work.

Of the 1,217 people who remained when the count was taken, 29% were completely unemployed.

438 individuals started a programme during that period.

The industries that employed those made redundant from Volvo were for the most part:

- The municipal sector, health care (mainly care of the elderly), schools, the transport sector (mainly bus drivers, taxi drivers and truck drivers), restaurants, HGV mechanics, manpower agencies that serve the industry and workshops, consultation firms that employ university-educated professionals in electronics, wind energy, plumbing technology, CAD operation and sales.

**Conclusions and effects**

Arbetsförmedlingen in Gothenburg believes that the efforts made for Volvo employees who were made redundant had the following effects:

- Fewer long-term unemployed and fewer on sick leave.
- Geographic mobility increased. People moved "home" again to look for work. Many found work in the Stockholm area and Skåne County, or in our neighbouring countries Denmark and Norway.
- With an increase in skills, the target group was made more attractive on the job market.
- Coaching contributes to shortening a person's acceptance process of redundancy, unemployment and in starting out on the road to a new job or a completely new profession.
- Collaboration as a work method is clearly a factor for success and shortens the pathway a person needs to take to return to the job market.
- The collaboration between Startkraft, Trygghetsrådet and Arbetsförmedlingen contributed to streamlining all parties' work in content and time.
- The early efforts and thorough preliminary work, together with ongoing check-ups, have been crucial for the good results.
- The capacity and potential for those who were made redundant to personally be able to build their futures facilitated the guidance given and shortened their pathway to finding a new job. Most of those made redundant can be seen as attractive on the job market.
Having the target group collected in one place quickly gave the employment officer a good understanding of their skills. They were also easy to find for recruitment assignments and to collect together for various activities.

Employers contacted the Volvo Office when they were interested in those made redundant from Volvo and their subcontractors. The Employment Service worked closely together with prepared contacts with employers and was able to fill available jobs by selection, fairs and through other recruitment activities.
9. Social inclusion: focus on the most vulnerable

*Bert Boone, Job & Co (red.)*

The activation policy of the future should be able to base itself on a broad range of instruments and work methods with an eye to the inclusion of the most vulnerable on the labour market. Such a policy should offer tailored labour and integration opportunities and should at the same time pay attention to transition opportunities to the regular economy.

The sixth session took a closer look at the social inclusion economy. It was examined how diverse work forms (social and sheltered workshops, employment enterprises, local service economy,…) can contribute to an effective activation policy for the most vulnerable, who are very distant to the labour market.

Antonella Noya *(OECD-LEED programme)* focused in particular on the social inclusion at the local level. In her opinion, the social economy runs the risk of becoming a recovery location for the failing integration. While, essentially, the social economy has a larger dimension. For the different integration models, she each time points out the importance of an unambiguous and regulated focus. For instance: the focus on special target groups; the focus on employment as an explicit objective. It is exactly the fact that such integration actions go hand in hand with general encouraging policy measures that constitutes a success factor. At the same time, Noya cautions for imposed quota, mixing different objectives (for instance: providing services and labour integration) and long-term effects through short-term subsidies. She pleads in favour of the construction of measures that are tailored to the target groups’ needs. Finally, she breaks a lance for the participative and common construction of policy programmes. They have maximum success when – through a multi-stakeholder approach – the actors are involved from the beginning. In this manner, social economy becomes rather an investment than a cost, regarding which evaluators then need to be able to reflect.

Ides Nicaise *(HIVA/KU Leuven)* evaluates the impact of diverse social employment programmes on the careers and the well-being of the target groups involved at regular intervals. In his opinion, social inclusion requires more than employment or income. Such a job is not done within six months. When we are talking about social inclusion, all possible functional capacities that have an effect on the different life domains are discussed (health, living, family life, social and cultural participation and work). It goes without saying that social employment can contribute to this substantially. Nicaise checked the social inclusion effects of three Flemish social employment measures, namely the work-training organisations, the social workshops and the insertion companies.

Work-training organisations provide a work and training experience for one year, after which the participants are expected to move on to regular employment. Social workshops are social economy enterprises that employ long-term unemployed people in a socially relevant sector. Insertion companies receive a degressive subsidy per target group collaborator employed by them. This subsidy period must ensure the regular employment of the collaborator involved.

The costs and ‘benefits’ are weighed against the different stakeholders (enterprises, workers, target group collaborators, tax payers...). In his research on
the situation in Flanders, Nicaise concluded that the transactional initiatives (work-training organisations and insertion companies) have a large sustainable impact on social inclusion. Social workshops mainly result in employment. Since the study five years ago, they too have invested more in sub-domains that are indirectly concerned, such as training...

In his conclusion, Nicaise is in line with Noya when claiming that instead of speaking in terms of costs, the approach of investments by society is in order. The added value of social inclusion is very relevant. For this reason, the researcher criticises the reduction of social economy to periodical public support at the European level. For him, this is an irrelevant criterion. Every time that the added value of a measure can be proven, it deserves further investment.

Richard Kennedy (Community Action Network) has been working on projects that examine the creation of social added value in the UK for years. He states that there are more win-situations in social economy enterprises than just for the target group collaborators in those enterprises. Social economy enterprises also create an added value for their families, their communities, health centres... and have a positive influence on the local subsidy expenditure, among other things.

According to Kennedy, social economy enterprises change people's lives. The challenge is to measure all these added values and to integrate them within the enterprise context as an investment. That is exactly why the SROI (social return on investment) instrument was designed. In the UK, this is becoming the main methodology with regard to evaluating social economy. SROI offers a schematic working framework in order to map out also the social added values – more than rather the financial resources. Kennedy illustrates this with a few practice examples. Every time, the following working principles are identifiable:

- Involve all stakeholders in the evaluation
- Understand which changes occur (both positive and negative)
- Attach value to what is deemed to be important
- Make the results visible and measurable
- Stay focused and do not put the bar too high
- Be transparent
- Check your results.

In the concluding debate, the participants showed interest in the method of the work-training organisations as temporary work experience location for specific target groups, given their positive effect on the target group collaborators’ life according to the study by Nicaise.

Noya’s consideration with regard to the creation of specific markets for the social economy was listened to with interest, but requires further reflection and in-depth study. SROI as a methodology was welcomed and deserves further spreading beyond the UK.
10. Decentralised activation: the role of the local level

*Robert Voorhamme, alderman for Work and Economy
City of Antwerp*

There is a need for local initiative and dynamics within a more decentralised, tailored ALMP approach. With regard to local needs, this could lead to concrete synergies, beyond policy boundaries and in partnership with the different relevant stakeholders.

Professor *Matthias Knuth* (University of Duisburg) compares the role of the municipalities in the German and Danish employment policy. Both Denmark and Germany believe that it is precisely at the local level that supply and demand meet each other in the most natural way. Both countries go beyond a mere cooperation between the local level and other levels of administration. The labour market policy there is organised by the municipalities. A critical note: the organisation is sometimes more subject to political dynamics than it is based on figures.

In Denmark, the municipality traditionally took care of the persons without insurance and the welfare clients. In addition, there were two models of employment centres. In the first model, state and municipality worked together. In the second model, only the municipality had a role. Since 1 August 2009, only the latter model is in use.

In Germany, the official point of view is that the municipalities have better knowledge of how to deal with their job-seeking inhabitants. German municipalities have between 150,000 and 300,000 inhabitants. Since 2005, Germany has two models with regard to activation. The first model involves consortiums between the federal state and the municipality. In the second model, the municipalities work alone. Research has shown that the first model leads to better results.

The greater role of the local administrations in the employment policy has brought Matthias Knuth to a number of conclusions:

- The cooperation between state and municipality led to a clash of organisational and professional cultures.
- There was a mix of social protection systems (*hybridisation*).
- There was depillarisation of the public policy with regard to the labour market.
- There was a contested relation between national politics and the municipality.
- Both in Denmark and in Germany, the initial chaos of the reorganisation eventually led to greater effectiveness at the administrative level.
- The activation policy also implied an activation of the administrations. In this activation policy, the dominant principle is: ‘work first’.

*Nico Van de Vrie (Eurocities)* stated that in The Netherlands, the focus on local needs is combined with national objectives. While the objectives are fixed centrally, the method of implementation is a decentralised matter. This has advantages and disadvantages, but studies appear to prove that the final result is rather positive. In The Netherlands, the decentralisation went hand in hand with a privatisation of the labour market policy.
De Vrie explained the role of the local administrations by means of the example of the city of Rotterdam. With one sixth of the population depending on public support and an employment rate of 58%, the city of Rotterdam had to face a huge challenge. In 2004, the labour market policy was decentralised to the local level for the full 100%. To this effect, a budget of 700 million EUR was made available to the city of Rotterdam. In doing so, the federal authority provided a strong financial impulse.

The result of the decentralisation was spectacular: the caseload decreased with 30%. The success is said to be due to the money-driven ownership of the local administration. The more people find employment with the help of the local administration, the more budgetary space is created by the latter. The quality control at the local level takes place by means of visitations conducted by colleagues, which leads to constant improvement.

Some conclusions drawn from the Rotterdam case:
- In labour market policy, there are no standards that can be used anywhere.
- The programme counsellors play a central role.
- The focus is on the client.

In The Netherlands, the optimum is a municipality of 70,000 inhabitants. The larger municipalities rather chose the model of cooperation with the state. The smaller municipalities appeared to develop a creative approach.

Today, the central administration in The Netherlands does not get involved in the organisation by the municipalities and it shifted its focus to the promotion of innovating and rethinking the system.

Annick Waegeman (city of Antwerp) discussed the role of the city of Antwerp in the labour market policy. The approach of the labour market policy by the city of Antwerp in a holistic manner occupies a central position in this.

By means of a concrete example in the construction sector, Waegeman showed that job-seekers and employers do not easily find each other and that this requires more than ‘just coincidence’. As a matter of fact, this is also what Diamond, Mortensen and Pissarides stated in their research on search frictions and for which they recently received the Nobel Prize in Economic Sciences.

It is the opinion of the city of Antwerp that the most recommended solution to this problem is a so-called holistic approach. This implies an integrated approach across the boundaries of the different policy areas (labour market, social policy, education, economy). The original objectives of each one of these policy areas are different. Therefore, it is important to show that a synergy of these different objectives has an important added value.

The objective is to join forces in function of common objectives because the realisation thereof will result in added value for each policy area, which it cannot achieve by itself.

In the case of job-seekers and employers: when the vacancy consultant or employment officer know what the manager is looking for, they can attune their actions to this need. When education knows which training and preparation are expected of the job-seeker by the manager, education can focus on achieving this. This will result in less job-seekers and more filled-in vacancies. It is a win-win situation for both sides.
In Waegeman's opinion, local policy is best placed to put such a more holistic approach into practice, because the convergence between different objectives is most operational there. It is the most appropriate level to create partnerships between all administrations involved (education, work, economy), the VDAB but also companies.

In Antwerp, this holistic approach at the policy level took shape in bringing together different city services in one single urban company unit called ‘Actieve Stad’ (active city). Besides public childcare, ‘Actieve Stad’ encompasses the services of tourism and congress, the general education policy, Antwerp city of students and Economy (covering labour market policy). ‘Actieve Stad’ wants to ensure, among other things, that the different services leave the worn paths of their own area and realise, with each other and with other external partners, a ‘holistic approach’.

This is made possible today, by means of the so-called sectoral networks that have been created by ‘Actieve Stad’. A sectoral network is a partnership between the labour market (VDAB), the city, education and the business world. The objective of the sectoral network is to better align supply and demand. The networks are created for sectors where the need of new forces is high and the potential is present. Currently, the city of Antwerp has about seven sectoral networks. There is one for construction, one for the industry, one for logistics, one for administration, one for the hotel and catering industry, one for the creative economy and one for education.

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**Focusing on a project: ‘Talentenwerf Antwerpen’ (talent building site Antwerp)**

A concrete project of the sectoral network for construction is ‘Talentenwerf’, a partnership between the authorities and a certain number of sectoral actors in the construction sector. It is a cooperation between four partners: the city of Antwerp – non-profit organisation Work and Economy, responsible for the local employment policy – the ‘Fonds voor Vakopleiding in de Bouwnijverheid (FVB)’ (Fund for Professional Education in Construction), supporting the development of skills for workers in the construction sector – the ‘Vlaamse Dienst voor Arbeidsbemiddeling (VDAB)’ (Flemish Service for Employment and Vocational Training) – and the local education council (ORA). Each one of these partners provides both people and resources.

The reason for this cooperation within ‘Talentenwerf’ is threefold: a shortage in skilled forces in the construction sector, the Antwerp paradox of a relatively high unemployment rate versus a large demand for manpower, an important number of big construction projects that are planned in Antwerp. The partners of “Talentenwerf” have set out different common objectives. Some of them are: inform at least a thousand persons every year about jobs and training in the construction sector, at least one hundred persons following an education or training, at least 275 persons that receive a permanent job in the construction sector, develop at least five innovative training projects on the building site, develop specific actions aimed at education in the construction sector. The success factors of ‘Talentenwerf’ are a long tradition in cooperation between the different partners, goodwill from all the partners and cooperation between the local authorities (the city of Antwerp) and the supra-local authorities (Flemish authorities) to realise an effective policy and an efficient use of resources.

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After this short tour in the city of Antwerp, along sectoral networks and the specific ‘Talentenwerf’ project, Annick Waegeman came back to Europe and the Europe 2020 strategy implying smart, sustainable and inclusive growth. By means of
her presentation, Waegeman wanted to show that a comprehensive approach at the local level can contribute in more than one way to the realisation of such growth: by bringing training, education and work closer together, by developing warning and matching systems for a better understanding of the labour market, by local monitoring, evaluation and anticipation and by promoting equal opportunities.

The conclusion is that the discussion on effectiveness is important, because of the budgetary limitations and at the same time the immense challenge to counter the increasing unemployment numbers. Within the framework of an active labour market policy, the commitment of the local authorities can strengthen the general labour market policy. As alderman for Work and Economy, I hereby plead in favour of a ‘tailored’ approach. The sensitivities and specific challenges which are typical of the local level can be better dealt with at the local policy level. In this context, partnerships between all stakeholders of the local labour market policy are essential: this requires spontaneous cooperation between the public and private employment services, educational organisations and schools on the one hand and private companies and employers on the other hand.
III. Opinions and debate

11. Conference speech ALMPs for Europe 2020

Philippe Muyters, Flemish minister for Work

Distinguished Guests,

These past two days we have heard a very interesting mixture of discourses about activating labour market policy from a European comparative perspective, followed by statements from the practice in various European regions.

The timing of the policy seminar about the activation of the labour market is simply perfect. At a time when the new European Employment Strategy is gradually taking its final shape during the Belgian EU Presidency the question as to the role of the activating labour market policy in this strategy is more than relevant today.

Therefore, the Government of Flanders is pleased to find that the significance of the activation policy in the European Employment Strategy is explicitly recognised. In the past decades this policy has become well established as a lever for increasing labour market participation, in particular of underprivileged groups, and for reinforcing the competence policy. Today, more than ever, these objectives occupy a central position in the European Employment Strategy. The question thus arises as to how the activation policy will, in the future, also be able to contribute to the achievement of the goals we have set ourselves by 2020.

This question is even more urgent against the background of the current financial and economic crisis. The impact of the strongly increased unemployment rates in all the European Member States will make itself felt on the labour market for years to come. At the same time the economic crisis has had a huge impact on the European Member States’ budgetary situation. The bailout of the banks and the increase in expenditure on crisis measures and automatic stabilisers have led to substantial budgetary deficits, which in most EU Member States exceed far beyond the permitted norm of 3% of the GDP. Some Member States are even faced with deficits of more than 10%.

Against this background three large challenges present themselves in the activation policy.

Now that the economy is gradually showing signs of improvement, it is important for the labour market to recover accordingly. There is a real danger that there will be a recovery without the creation of new jobs, a so-called jobless recovery. There is a highly latent risk of structural and long-term unemployment. That is why the fight against this structural and long-term unemployment is the primary challenge for the activation policy.

A lot of Member States have successfully taken targeted measures for job preservation during the crisis. In the short term these forms of passive income protection are useful, among other things to tie qualified personnel to the enterprise and to quickly re-employ them when the demand is recovering. In the
medium term, however, **the second challenge** is to increase the chances of employment and to prepare jobseekers for the future economic revival.

In the long term it is absolutely vital to raise the activity rate and to reduce the dependency on benefits. Therefore, the achievement of the employment target in the EU 2020 Strategy is a full-fledged **third challenge**.

These three challenges must be considered in the context of the increased government debt. This has led to a serious impoverishment of the public finances, as a result of which Member States are obliged to tighten their belts. For this reason, several Member States have already announced that they will drastically cut the expenditure on labour market support measures, ranging from unemployment benefits to activation measures.

**Due to this precarious economic and budgetary context politicians and policymakers are faced with a strange paradox.**

On the one hand, substantial investments in an activating labour market policy seem necessary to avoid long-term structural unemployment in the future and to strongly increase labour participation. On the other hand, budgetary limitations undermine the widespread support for an activating labour market policy. In my capacity as Minister for Budget on the one hand and for Work on the other hand I can more than ever testify to this field of tension.

This paradox, and its consequences for the labour market policy, puts the objective of cost effectiveness in the policy in the forefront. The limited financial leeway forces governments to do more with less. Moreover, we owe it to the citizens to spend every Euro as efficiently as possible.

Thanks to this policy seminar we have explored new ways to enhance the effectiveness of the activating labour market policy. It has become clear that increased evaluation is a key concept in meeting this goal.

**In the first instance** a better mutual alignment of policy measures, on the basis of efficiency, is a first important step towards implementing the European Employment Strategy.

**Secondly,** we will have to focus more on the participation of a number of priority underprivileged groups, such as older people, immigrants, and low-educated people, if we are to substantially raise the activity rate in Europe. By largely investing in skills enhancement we must reduce the distance to the labour market for these vulnerable groups.

In Flanders, especially the participation of older people is a specific bottleneck. Flanders ranks among the top regions in Europe in terms of the activity rate of people aged 25 to 49. However, only 1 in 3 of our over-55s is still at work today. Although other European Member States perform slightly better in this respect, the set Lisbon target of 50% was not achieved. In 2009, the activity rate amounted to only 46% for the EU-27.

Consequently, the growth margin for an increase in labour market participation in Flanders and Europe must be looked for among the older employees. Moreover, because of the effects of ageing their share in the employed population will only continue to rise. Therefore, the category of over-55s can be regarded as the key to
successfully meeting the Flemish employment target within the framework of Europe 2020.

Thirdly, the activating labour market policy must be better implemented. Especially in times of budgetary scarcity it is absolutely essential that partnerships are reinforced between public and private actors, companies, social partners, civil society, as well as local authorities. At the workshop on local authorities and during the policy debate it has been sufficiently demonstrated today that the involvement of local and regional authorities is indispensable if we are to give the new European Employment Strategy any chance of success.

Ladies and gentlemen, the reinforcement of the labour market policy, on the basis of these three pillars, viz. more effectiveness, the focus on underprivileged groups and an enhanced implementation, is necessary in order to safeguard the prosperity in Europe through a higher employment rate. Within the framework of the Belgian EU Presidency this policy seminar has launched the debate on the significance of activation. In this way the seminar hopes to make an active contribution to the reinforcement of the European Employment Strategy within the framework of Europe 2020.

Finally, I wish to thank the Department of Work and Social Economy and its partners for the exhaustive work it has done during one whole year within the framework of the Belgian EU Presidency. Without them it would have been impossible to organise this seminar.

Thank you
Ladies and gentlemen,

Let me start with a simple question: how is Europe 2010?

There are 23 million unemployed. Almost 1 in 10 Europeans has no job. For young people under 25 and non-EU citizens the figure is more than the double.

Less than half of the low-learned is at work. The situation is even worse for people above 55.

These are hard figures and it becomes even sadder if we consider the number of poor in Europe. There are 80 million poor. Especially the low-learned, the aged and migrants are at risk of drifting into poverty. Indeed, exactly those people who have a rough time in the labour market.

This is unacceptable. The more so in the European year against poverty and social exclusion.

Yet there is no simple solution to break through this vicious circle of ‘no job’, poverty and exclusion.

We can formulate aims. But more is needed. The Lissabon strategy or in other words the fact that we have not succeeded in achieving these goals, underlines this finding.

Should we no longer formulate aims for activation then?

I am glad that the new Europe 2020 strategy proposes a clever, more sustainable and inclusive growth of the activity level to 75%.

But first and foremost we must see to translate this percentage into the labour market. Into real labour places for real people. To make this possible, we must dare to think about how to implement the concept activation. My message for you today is that, we must make use of all available talents and competences, also of people who do not find the way to a job so easily.

Certainly in view of the economic and social challenges, like the ageing of the population, we cannot afford to let vulnerable groups drop out.

I am talking now about people who have fallen into oblivion in the past years. Because their problems were noticed too late or because the economic crisis had put other priorities on top of the agenda. The result is fatal: a growing distance from the labour market and a continuous increase in long-term unemployment.

The question we have to ask, is not how to fight against exclusion. The question is how to bend it into social inclusion.

Ladies and gentlemen

Presently you will participate in two workshops.

To stir up the debate, I propose to you three theorems, which, according to me, should contribute to a different, future-directed implementation of the concept ‘activation’.
One, there is need for measure-directed support and employment of chances’ groups.

Some people are very far away from the labour market. To make their employment possible, I wish to offer them two things: adapted support on their way to a job and a backpack which they take to the regular business or to the social economy business. According to the nature of their distance from the labour market this backpack contains a wage option, adaptations to the labour post and the possibility of support and training on the work spot.

Together with my colleague of Work, Philippe Muyters, I will continue to fill and mould this backpack into a transparent frame for the reformation of existing training and employment measures and of the social employment economy.

Two, social economy is extremely suitable to offer this made-to-measure approach.

I start from the principle that everybody has the right to work. Independent on schooling, background, physical or psychic possibilities.

Who works, has an income and gets the opportunity to mould his own future. Work opens a person’s world and brings about social contacts. Who works, grows self-confidence and feels useful.

Social economy offers people that perspective. It offers lasting work and with it the feeling of being useful. And that, for me, is a human right. Moreover this sector has the experience, the know-how and the instruments to make the chances of success of each employment as high as possible. In the social economy sector where necessary. As a spring-board to a job in the regular economy sector where possible.

A second aspect is that the jobs they do are important for society. There is a social return. With the ironing shops they enable a better balance between work and family. With greenery maintenance they make the surroundings more pleasant. Linking job-vulnerable groups to new social demands and trends is unique.

The social economy sector generates individual chances and social gain. That’s a win-win situation and it is an important trump-card, on which we can continue to build. Social economy activates.

Three, it is time we built solid bridges between social and regular economy. This will be of surplus value for both. I see that social economy and its basic principles inspires regular businesses more and more. That’s a good thing, for it is an important step in the direction of a healthier and more social economy.

Ladies and gentlemen

As a minister I can formulate ambitious goals. I can strive for more means. I can make it possible for employees to take that rucksack to the employer in the regular market, I can ensure that the law is better attuned to practice and that all conditions for a successful flow-through have been fulfilled.

Is that a guarantee for the more vulnerable groups to get a job? No, it is not. Therefore I also need employers who dare, who are willing to invest time and effort in the support of these people.

Dear attendance

Activating begins with believing in one’s own possibilities. Very often this is missing with people who have been rejected in the labour market for years or who
have never had a serious chance. The activation policy’s task is to convince people of their own abilities; to show them how to break through vicious circles.

In conclusion and before you start the workshops, I wish to thank several people:

The department WSE and the point of support WSE for the impeccable organisation of this conference.

The European commission -DG Employment- for its help and effort hereby.

Of course I also wish to thank you for your presence and contribution during this conference.

And finally I wish to thank the city of Antwerp for its hospitality and participation in this congress. And for all those who have not yet seen Antwerp: this is a beautiful city. Set out an let yourselves get surprised.

Thank you very much
I. The lessons of the past are there to be learned.

1. Europe cannot ignore that its economy has just gone through the deepest recession since the European Union was founded. The lessons from the Deep Recession need to be learned.

a. Above all, the recession indicates a ‘systems failure’ of the economic model that is being pursued. Over the past decade(s), policy was based on an unfounded belief in and an excessive reliance on market mechanisms. Irrespective whether public investments1 or public services2, financial markets, workers' rights3, collective bargaining4 or social expenditure5 were concerned, the ‘market’ was supposed to takeover and do things better. What happened instead was that market forces, left to their own devices and unchecked by public intervention and/or strong collective bargaining practice, produced high and rising inequalities, turned good jobs into precarious contracts, distributed the benefits of economic progress to a financial elite while at the same time leaving growth and job creation to rely on excessive financial risk taking, outright speculation and overblown asset bubbles.

b. Social Europe does not start with a job only. It is also, and importantly, about ‘good work’ and quality jobs paying fair and decent wages with strong workers' rights and strong collective bargaining protecting. ‘Trickle-down’ strategies forcing workers to accept any kind of job do not work. They weaken the recovery, they increase the economy’s dependence on debt and bubble-led growth, they create 'low innovation' and ‘low productivity’ traps and they destroy the knowledge base of our society.

c. Lesson 3: Europeanise the European Strategy. Europe needs to be much more than just an internal marketplace. An internal market without strong social ‘rules of the game’ will force member states to try to get out of the jobs crisis at each other's expense. This will lead to downward spirals in wages, labour market standards, social security, tax policy and environmental standards. The only real way forward for Europe is to take up an expanded role. A European framework that protects member states from ‘cut-throat’ competition in the European marketplace and European policies which mobilize the power of

- Stability pact outlawing public lending for public investment
- Liberalisation and privatisation of network industries
- Social Policy Agenda becoming a ‘Social’ Agenda only
- ECJ cases putting the economic freedoms of the internal market first and collective bargaining and collective action in second place.
- Privatisation of pension systems, reforms to ‘make work pay’ by cutting benefits.
- ‘Europe acting together’ are crucial to fight the crisis and build Europe’s long-term future.

II. Worse than 'business as usual'

2. However, with the first ‘green shoots’ of economic recovery having appeared, these lessons have already been forgotten. The voices claiming that the old structural reform agenda of liberalisation, privatisation and deregulation needs to be pursued even more vigorously have been getting much stronger. Several member
states are now caught between irrational but massive financial market speculation on the one hand and the non-willingness of the European Central Bank to make liquidity available for governments unless governments commit to undertake harsh fiscal consolidation measures and improve competitiveness. As a result, many governments are now cutting public sector wages and employment, social expenditure while making the labour market even more flexible than it already is, thereby also weakening the overall bargaining position of workers in trade unions, in the public as well in the private sector. This deflationary strategy, which was first experimented in 2009 in Latvia and Ireland, is now firmly taking roots in major parts of Europe.

3. This, again, has more to do with ideology (refusing the role of the 'state' for the economy; pushing through a liberal model of society in which labour is and capital is strong) than with serious economic analysis. Europe and the Euro Area as a whole do not have a macroeconomic savings deficit and public deficits are not crowding out private investment. Instead, public deficits are keeping the economy afloat despite the ongoing deleveraging of excessive private sector debt loads. As a consequence of these premature and brutal fiscal exit strategies, the European economy is now facing a prolonged and deepened slump and overall unemployment will be pushed well into two digit numbers.

III. Avoiding the European Slump

4. Europe needs to draft a second recovery plan in order to rise to the challenges facing it in the short term. This time round, the stimulus should not be weak or fragmented over just a few countries and across a host of different political measures, including ineffective tax reductions. Instead, the stimulus needs to be strong and it should concentrate on a joint European investment effort.

5. The ETUC has called on the European Council and the European Commission to devise a European investment plan representing 1% of annual GDP so as to create more and better jobs, and to promote innovation, research and sustainable development. This would help to create new 'green' sectors and at least 2 million new jobs (1%).

IV. A major overhaul of the European Employment Strategy

6. The European Guidelines on Employment likewise need to be reviewed. They should no longer focus on supply-side measures only, but should also concentrate on more numerous and real demand-side measures, on greater security and on better rights to transition for workers. With the return of mass unemployment, the problem is not a lack of supply of labour and workers but a massive lack of jobs.

7. To tackle the unemployment consequences of the jobs crisis, active labour market policies also need fundamental change. In order not to put the burden of being out of a job on the unemployed themselves, policy needs to refocus on the demand side of the labour market. Massive investment in policies that share and redistribute work, which create decent jobs in social services of public interest and which upgrade workers’ skills while being unemployed, are urgent. The guidelines in the European Employment Strategy need to take this labour market demand side into account, while the Broad Economic Guidelines at the same time need to focus on creating an additional volume of jobs by focusing on public investment led demand and growth.
V. Social Europe : A fair labour market

(i) Europe needs to build a ‘fair’ labour market. Stable and protected contracts, good wages with ‘equal pay for equal work’ and robust unemployment benefits will make sure that economic progress will be widely shared and is not reserved to the privileged. Moreover, ‘quality jobs’ and workers’ rights are anything but an impediment to labour market efficiency. On the contrary, they can be highly compatible with a dynamic economy. Workers will be much more willing to move into new jobs if the economy mainly consists of ‘good jobs’. And the economy and the labour market only stand to gain when the different gender gaps (such as equal pay for female workers, culture of long work hours, …) are addressed.

(ii) Workers’ security in the labour market needs to increase. The crisis has shown us that the European labour market is already very flexible but not so secure. The crisis has also shown us that there are other and better ways to respond to economic shocks than immediately firing workers by promoting internal flexicurity schemes such as short time working schemes and similar arrangements in which the state and/or the employers compensate the wage loss from a temporary reduction in working time.

(iii) To build this ‘fair’ and secure labour market, Europe needs a new social policy program. The European Social Acquis which, according to the European Treaty is to be defended and promoted by the Commission, should be strengthened and enlarged, in particular by a clarification of the posting directive and workers information and consultation rights in terms of the European Private Company Statute. Moreover, workers in precarious contracts should also be entitled to ‘transitional’ rights (right to training, improved access to social security benefits, right to move upwards into regular contracts….). The core principle of the European Social Aquis – that atypical jobs are to remain the exception and not the rule – should be enforced in a better and stronger way. In all of this, particular attention needs to go to closing the gender gaps in pay, in jobs and in career opportunities.

(iv) Equality and non-discrimination in general are important preconditions for the development of inclusive and diverse labour markets. Measures and policies focusing on integration and social inclusion of workers from a migrant or ethnic minority background and acting against racism and xenophobia; recruiting and facilitating disabled workers and keeping older workers healthy and active in the workplace; promoting diverse workplaces and societies respectful of difference for instance when it comes to sexual orientation, religion or cultural background; these are all of key importance for the future of sustainable, innovative and productive labour markets.

(v) A fair labour market also calls for the adoption of both a Social Progress Protocol, as proposed by the ETUC, giving priority to social rights and collective action, and a beefed-up Directive on the posting of workers. New measures also need to be taken to improve the quality of the participation of workers and of industrial democracy.

(vi) Finally, the ETUC stresses the fact that employment markets in Europe are extremely flexible but completely devoid of security, and precarious workers are the first affected. Through its development, precarious work has the effect of making all work across Europe fragile, and it is not consistent with the objective of protected mobility allowing changes to be ensured.
Ladies and Gentlemen

We are meeting ahead of a crucial European Council. Economic recovery remains fragile, the decisions taken by the Euro-area summit and Ecofin Council meetings need to be confirmed. The developments in the Mediterranean region and the disaster in Japan create new factors of uncertainty. Ensuring that Europe is fit to play to its full potential in the world economy is more important than ever.

The only sustainable way to improve growth and employment is to boost our competitiveness. The European business community therefore fully supports the Pact for the Euro agreed on the 11th of March.

We simply cannot understand the trade union hostility to this pact. Like them, we are attached to the autonomy of the social dialogue. But autonomy does not mean that one party can block balanced reforms and prevent a necessary modernisation of Europe.

The commitment of Member States to improve competitiveness and better adapt their national policy frameworks to the reality of monetary union is an absolute must.

We urgently need more coordination and better monitoring of fiscal and economic policies. Unit labour costs are an essential and objective indicator of economic health. They must be part of macroeconomic policy coordination. A country cannot over a longer period of time have a combination of high increases in labour costs and low increases in productivity. This is a signal that something is wrong in the economy.

The EU Council should therefore pave the way for swift adoption of the legislative package to improve economic governance. We need strong enforcement rules and a central role for the European Commission. But that is not enough. Europe must also double its growth potential. For that, we need structural reforms, not only but also in our labour markets and social systems.

The problems we are faced with are not new. The sovereign debt crisis has only exposed them in more dramatic and acute terms. Let me explain what I mean.

Over the period 2000-2009, Europe's average labour productivity growth was as low as 0.8 per cent a year. For decades, we have been struggling with low employment rates and high long-term unemployment. The Commission estimates that Europe's potential growth rates will be cut in half over the next forty years because of its shrinking workforce. This is an additional reason for urgently boosting employment and productivity growth. We must all aim at creating a competitive and sustainable economy that provides real prospects for all workers, including young people.

The debate on bonuses or executive pay should not stand in the way of this. Last year, we stated jointly with the unions that remuneration policies should be aligned with the long-term success and sound management of companies. Our President Jürgen Thumann has repeatedly said in public that pay policies should be
justifiable and explainable. This obviously applies to practices in the financial industry.

Turning to the issues of the day, too often, trade unions say labour market reforms - including those in the Pact for the Euro - mean precarious jobs. This is wrong. According to EUROFOUND (Dublin Foundation), the EU created more and better jobs between 1995 and 2005. Employment expansion was mostly concentrated in relatively well-paid jobs. Moreover, of the 11 million new jobs that were created between 2005 and the end of 2008, we have been able to save half in the recession. So our labour markets have been resilient. What’s more, our companies have again started to create jobs.

The Pact for the Euro is also said to be an attack on collective bargaining. Countries are being warned not to follow the German example of wage moderation. But the German social partners themselves decided autonomously to do so! And rightly so. The result is that more than 1.6 million jobs have been created since 2003; and the number of people out of work is the lowest since 1992.

We were therefore not surprised that in our 2011 Reform Barometer, improving wage bargaining and wage-setting systems came as one of the urgent priorities identified by our 40 member federations. More generally, our members consider that governments are not doing enough to reform their product and labour markets.

They ask to step up the implementation of flexicurity policies. More flexibility on our labour markets to boost job creation and provide opportunities for the millions of unemployed. And more security through better activation and more lifelong learning. In 2010, training paid for by employers was at its highest level since 1995. So employers are taking their responsibility seriously.

We hope the EU Council meeting will make sure that commitments towards improved competitiveness are translated into ambitious national reform programs and EU policies. Such a signal is badly needed in times of heightened economic uncertainty.
15. European ALMPs in times of crisis
Marc De Vos, Ghent University Law school and Itinera Institute

1. Introduction
The economic turmoil triggered by the 2007 Subprime Crisis and the 2008-2009 Great Recession keeps rocking the European Union boat. The global crisis has painfully exposed underlying European structural problems, particularly in fiscal policy (national public debt), in monetary policy (the Euro turbulence), and in labour market policy (unemployment). Indeed, one of the many challenges of what is rapidly becoming a crisis epoch is its differing labour market fallout among core European countries. This is yet another illustration of how the European Union – notwithstanding such grand projects as the Lisbon Strategy and the hyped “Flexicurity” – has patently failed to effectively streamline labour market performance among its Member States.

This varying national context obviously makes any coordinated European labour market strategy even more difficult than prior to the crisis. However, there can be little doubt that the European Union should take the current crisis as an opportunity to reconsider and improve its policies, not only in the economic realm, but also in the social realm. This will not be an easy task, as the crisis has heavily damaged whatever feeble consensus there was on the need and the direction of labour market reforms, while persisting unemployment always tends to promote quick political fixes over fundamental reforms. Against this overall backdrop, this brief article first set its sights on the legal framework for EU labour market policy coordination, with particular attention to Active Labour Market Policy (ALMP).

2. From EES to “Flexicurity”
The European Union’s labour market policies rest upon two pillars: “social policy” and “employment policy”. The former refers to the traditional mechanism of EU coordination through legislation (directives in the field of labour regulation), while the latter refers to the open method of coordinating national labour market policies through European targets, without resorting to formal legislation.

The European drive – helped by the necessary Green Paper and White Paper – towards a more conscious European employment policy irrespective of the EU’s social policy, is well documented. An Employment Title was inserted into the foundational treaty through the Amsterdam Treaty. The essence of the Employment Title, currently set out in Articles 145 to 150 TFEU, is the development of a “coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change” (art. 145): the European Employment Strategy (EES). The coordination rests upon a broad framework of employment policy guidelines promulgated by the Union and designed for national implementation.

Under the aegis of the European Commission, the EES has become closely identified with the agenda of “Flexicurity”. For the European Commission, reflecting on a wide and recent body of research, “Flexicurity” is defined as “an

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integrated strategy to enhance, at the same time, flexibility and security in the labour market”. “Flexicurity is about striking the right balance between flexible job arrangements and secure transitions between jobs so that more and better jobs can be created. **Flexibility** is about developing flexible work organisations where people can combine their work and private responsibilities, where they can keep their training up-to-date and potentially have flexible working hours. It is also about giving both employers and employees a more flexible environment for changing jobs. **Security** means ‘employment security’ - to provide people with the training they need to keep their skills up-to-date and to develop their talent as well as providing them with adequate unemployment benefits if they were to lose their job for a period of time.”

The “security” advocated by “Flexicurity” is of the dynamic type, seeking to obtain general employment security in the labour market by preparing, assisting and pushing individuals in and for the job transitions that follow from our flexible economy. Traditional labour law, on the other hand, has sought to realise security in a more static way by shielding the individual from transitions and thus protecting specific job security at a particular employer. “Flexicurity”, therefore, requires a shift from static “job security” and protection to dynamic “employment security” protection on the labour market. Whoever wants to make that switch within the confines of old school rigid labour market organisation embarks upon a broad reform platform that mobilises just about every actor of labour market organisation.

What “Flexicurity” wants, therefore, is the partial dismantling of static labour law protection that counters flexibility, and its replacement with dynamic protection that embraces flexibility but offers a new kind of security in return. This is particularly difficult towards the vested interests in static labour market protection, namely the ‘insiders’ of the labour market with relatively stable employment positions, and their unions. These vested interests know what they stand to lose but often remain to be convinced of the benefits. The flexibility part of “Flexicurity” is indeed certain, whereas the security part is uncertain. Moreover, to become effective in its quest for dynamic employment security, “Flexicurity” requires labour law to focus more on the particular individual and its labour market position. Here too lies an obstacle, to the extent that the traditional labour law of the static kind is often also collective and standardised in its approach, with unions as the agents for a supposedly uniform and unison labour force. “Flexicurity” thus interferes with the traditional role model for unions, further complicating its reception at the level of Member States with powerful unions.

All this was prior to the crisis. The crisis has undermined the European “Flexicurity” agenda even more. Two factors have further complicated the picture. **First**, labour market performance in the heat of the crisis has not particularly strengthened the superiority of the “Flexicurity” model. **Second**, it is harder to make “Flexicurity” policies a working reality when there are not enough jobs. We will briefly address these obstacles in turn.

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3. “Flexicurity” challenged by the crisis

There is something stirring in the world of labour market punditry. The Great Recession is showing some unexpected results on the unemployment front. The irresistible job machine that used to be the US labour market continues to sputter. Job creation remains disappointing. A decidedly un-American unemployment rate of close to 10% keeps almost 15 million Americans unemployed. And that is not counting the millions more who are underemployed, or the equally numerous jobs that are officially and artificially “saved or created” by stimulus spending.

Across the pond, on a European continent traditionally lambasted for its outdated and stifling labour rigidities, the picture is surprisingly less bleak. For sure, European countries have had their fair share of the massive employment haemorrhaging and the frosty hiring slump that has been the crisis fallout throughout most of the developed world’s labour markets. But in relation to their economic contraction, many European countries have registered less unemployment increase than the US. The list covers almost the entire Old Europe, including such otherwise notorious labour market underperformers as Italy, France and Belgium.9

It used to be different. For decades, Europeans have been told that they need to become more American if they want more growth and more jobs. That conviction eventually morphed into the official European Union agenda for “Flexicurity”, seeking to combine flexible labour markets with supportive policies for personal employability. Whatever its merits, “Flexicurity” was always more a hype among policy wonks than a reality on the European work floor. The recent change in labour market fortunes has now brought a number of observers to question the mantra altogether. European politicians did not go on a Keynesian spending spree and instead claim credit for their country’s built-in protections. Union experts have joined the chorus, labelling “Flexicurity” a fair-weather friend and reclaiming old-fashioned restrictions as the guarantors of stability.10

This particular observer finds the transatlantic labour market comparison premature. There is simply no quick labour market fix for an economic recession, whatever your policy persuasion may be. Economic differences come a long way in explaining today’s differences in labour market outcomes among countries. Some countries have been hit more by the Great Recession than others, some have had a major domestic real estate crisis to add to the global contraction, and some have been able to take better advantage of the rebounding economy in the developing world. Germany’s ability as an export economy towards Asia helps its domestic employment. A real estate crisis weighs heavily on unemployment in Ireland and Spain alike, notwithstanding big differences in their respective labour market models. Beyond the economy there is demography. Ageing and immigration affect different countries differently, with ramifications for their respective labour force and – consequently – unemployment figures.

Nothing of the above relates to labour market policies per se, but all of it heavily impacts labour market outcomes. Moreover, the traditional assumption of inflexible European labour markets is really outdated. Virtually all of the European countries that typically have rigid and inflexible labour regulations at their core have also grown a wide penumbra of often extremely flexible a-typical work. Companies in Europe thus have layers of flexible temporary workers that can be employed, re-employed, and laid off as a matter of course. Such is the legacy of rigid labour

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9 P. Gregg and J. Wadsworth, Jobs in the recession, London School of Economics, CenterPiece, summer 2010.

markets whose beneficiaries have never accepted overall modernisation: a multitier market where insiders enjoy cushy stability for most of their careers, at the expense of incoming outsiders. Predictably, the brunt of any labour market contraction then falls on the outsiders, who either lose temporary work or enter the labour market with very limited job perspectives.

The labour market lesson of the Great Recession so far lies not in the vagaries of unemployment statistics, but in the worsening of the divide between insiders and outsiders. For the responses of virtually all European governments to the current jobs crisis have primarily been aimed at protecting existing jobs even more. Across the continent, subsidy mechanisms and regulatory measures have sought to avoid redundancies through working time reduction, temporary unemployment systems, cash-for-clunkers programmes, and the like. As a result, the chasm between the haves and the have-nots on the labour market has only deepened further.11

By entrenching existing employment, European politicians and employers have not demonstrated the uselessness of flexible labour markets in times of crisis. They have instead undermined the potential of job transitions in a period of profound economic change. Europe’s internal market rules did prevent the repeat of wholesale state support as a crisis policy. But its light-version on the labour market has similar consequences. Time will tell whether Europe is – once again – only slowing inevitable transitions and therefore undermining future growth and productivity to the detriment of all, or whether its job shielding will be a jump board and allow companies to grow anew with lower redundancy and recruitment costs.

Whatever the outcome, the bottom line is a labour market preference for the incumbent at the expense of newcomers. This goes beyond reduced job opportunities to the price tag as such. The niceties of increased employment protection and automatic stabilisers translate into deficits that will have to be paid by future workers. The same generational arithmetic obviously holds for deficit spending on expanded unemployment insurance and Keynesian job creation in the US. Labour market realities on both sides of the Atlantic thus share what is becoming an overall tendency of our crisis epoch: our generation’s unwillingness or inability to pay for its collective mistakes.

The Great Recession does not demonstrate the failings of any particular labour market model, at least not yet. But the recuperation of the crisis for political purposes is clearly spilling over into labour market territory. The renewed foundational EU Treaty (the infamous Lisbon Treaty) already advocates a “social market economy” aimed at “full employment” (art. 3 TEU). Europe 2020, the EU’s new flagship programme, similarly seeks to steer economic development towards “smart, sustainable, and inclusive growth”, including an industrial strategy for “green jobs”. This overarching agenda has recently spawned a fully-fledged “industrial policy for the globalisation era”12. Keynesian dreams of a more politically managed labour market are thus gaining political traction. If this tendency becomes a trend, it will be the Great Recession’s real labour market legacy. The new EU social policy may thus influence the future course of EU employment policy.

4. Active labour market policy in times of crisis

In its official description, the “Flexicurity” agenda is seen to contain four essential components: flexible and reliable contractual arrangements, comprehensive lifelong learning, modern social security systems, and effective active labour market policies (ALMP). The latter are the focus of our attention as they are supposed to “help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs.” So-called “active” labour market policy is a container notion that covers a wide and varied range of policies aimed at improving the access of actual or potential job seekers – whether unemployed, inactive, underemployed or in employment transition – to the labour market, to jobs and to job related skills. These policies can be aimed at both the demand side and the supply side of the labour market and its labour relations. What binds the various policies together is that they do not constitute pure and passive income transfers such as unemployment benefits or early retirement benefits.

The bust and boom of economic cycles and the economic progress of perennial “creative destruction”, further fuelled by globalised markets, technological change and international competition, generate tremendous and continuous change on the labour market. In this high velocity market, labour is constantly shifting and evolving, whether through internal reallocation, through voluntary mobility or through hiring and firing. ALMP facilitates the matching process in this shifting labour market, whether through job brokering in specific cases or through general employability policies. Left to their own devices, the economy and the labour market would suffer from information asymmetries between job seekers and job providers, from skills shortfalls or productivity gaps, and generally from an underdevelopment in human capital that is perhaps typical of free markets. Resulting qualitative and quantitative mismatches cause frictional and eventually structural unemployment. ALMP and government intervention can help to correct these market imperfections, thereby smoothing labour transition for the benefit of workers, businesses, and the overall economy alike. This may occur through a wide variety of mechanisms, instruments and policies, but all of these will ultimately share the same finality and rationale.

In the context of job losses – the background to our reflection – ALMP is the policy instrument that serves most directly to enhance the re-employment prospects of displaced workers. From the perspective of the worker, employment or re-employment may then be actively promoted by providing access to information on job opportunities, by supporting geographical mobility, by helping vocational retraining, by offering various counselling and outplacement services, or by providing financial support towards re-employment. The reintegration of displaced workers possessing obsolete skills, for example, can be facilitated if adequate retraining programmes can qualify these workers for new jobs. From the employer’s perspective, assistance in recruitment and outreach, or reductions in wage cost or training cost may serve the same goal of efficient transition and re-employment.

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14 In a free capital market, investment decisions are less likely to go towards human capital than towards real capital investments that are less risky. Consequently, government intervention can make it possible to correct the imperfections of the capital market and rectify the divergence between the private cost and the social benefit of human capital investment: see M. Friedman, Capitalism and Freedom, 1962, 102-105.
All of this sounds great on paper but faces the inescapable contemporary difficulty of a major job crisis. Overall economic background and labour market reality indeed play a big role. Hence the varying impact of identical ALMPs across various country groups at any time. Moreover, ALMP cannot realise labour market transitions when there are no jobs to transit to. If ALMP is designed to be the bridge between jobs, it risks being a bridge to nowhere without an appropriate general macroeconomic and structural policy that creates and supports labour demand. The ongoing labour market crisis is no fertile context for quick transitions, no matter how well designed the ALMP may be. The Great Recession and its aftermath have exposed structural economic problems. The transition challenge is harder, bigger and will take more time. ALMP is no miracle cure and its relative impotence may further erode its status as the desired end of labour market policy in general.

However, the difficulty of successful ALMP should not undermine the legitimacy of its key policy tenet: when transition is economically necessary, effective labour market policy will seek to accommodate and organise it, rather than to block or to ignore it. Unemployment levels and unemployment duration will indeed be higher than average because of an exceptional crisis. But we should lose hope for new employment. ALMP should not be given up. Rather, it should be targeted so as to make sure that the unemployed stay employable notwithstanding their unemployment. It should be directed at these sectors of activity that do well and have shortages notwithstanding the crisis. It should accelerate labour mobility, not abandon it. In short: ALMP in times of crisis should focus policy attention on the outsiders finding new jobs or staying employable, away from the early focus on keeping insiders in their current jobs no matter what.

Empirical studies offer broad guidance for the selection of active policies in order to maximise their effectiveness:

- Rely as much as possible on in-depth counselling, job-finding incentives (e.g. re-employment bonuses) and job-search assistance programmes. But it is vital to ensure that such measures are combined with increased monitoring of the job search activity of the unemployed and enforcement of the work test.
- Keep public training programmes small in scale and well-targeted to the specific needs of both job seekers and local employers.
- Early interventions, reaching back to pre-school, can pay dividends for disadvantaged youths, but they must be sustained and combined with appropriate schooling and effective attitude policies.
- As the duration of unemployment spells lengthens, various forms of employment subsidies may serve to maintain workers’ attachment to the labour force. However, employment subsidies should be of short duration, targeted and closely monitored. Subsidised public sector job programmes are generally suboptimal.

- Use subsidised business start-ups for the minority among the unemployed who have entrepreneurial skills and the motivation to survive in a competitive environment.

This is a time to strengthen and target ALMP so that we get the best out of the existing opportunities and avoid the spectre of a lost generation all together. ALMP is not the solution to our crisis, but it can be part of the solution. We should simply realise that ALMP in times of crisis requires careful redirection and concentration, with the creativity of using available budgets where possible.

5. Conclusion

The ongoing crisis has exposed major shortcomings in EU policy. The Stability Pact which was supposed to ensure fiscal discipline throughout the Euro-zone has brought indiscipline and instability instead, further deepening the fiscal woes and economic outlooks in several indebted Member States. The Lisbon Strategy which was supposed to turn the EU into a paragon of competitiveness has failed dismally, further exacerbating the inevitable toll of a major financial crisis on the real economy. Both these structural failures contribute heavily to the labour market impact of the crisis in Europe. This is not the time to question the validity of these failed strategies. Rather, we need to question the reasons of their failure.

At the time of writing, the EU embarked upon an exercise of improved economic and fiscal management for the Euro-zone. We also need to improve the mechanism for policy reform on the labour market. The European Union has spent too many years preaching without being able to practice. Whether it will be able to practice what it preaches in the future, will depend on whether it can use the crisis as an opportunity for more European coordination. Separately, Member States and their national interest groups can but offer a patchwork of partial and incomplete labour market reforms. Together, the European Union may just be able to coordinate and steer effective and comprehensive reforms that will serve all its Member States as they move from job crisis to ageing crisis in the blink of an eye. However, this will require conviction and determination, both of which have been conspicuously lacking during the recent years of crisis improvisation and economic nationalism. The Lisbon Treaty itself is not particularly helpful: the social aim of “full employment” (art. 3 TEU) is indeed difficult to square with the employment aim of an “adaptable workforce and labour markets responsive to economic change” (art. 145). The first requires activist state intervention in the old Keynesian mould. The latter leaves the economy alone while investing in personal employability. We can have flexible labour markets that offer high employability, but not by making the Keynesian artificial demand policies of our crisis epoch permanent. This is the crucial choice before us as the acuteness of the crisis gradually gives way to an uncomfortably slow recovery.

16 A noted exception is obviously Germany, which is now reaping the benefits of its “Agenda 2010” reforms under the Schröder administration.
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