

Chapter 3

THE PUBLIC EMPLOYMENT SERVICE IN JAPAN, NORWAY, SPAIN AND THE UNITED KINGDOM¹

A. INTRODUCTION

This chapter is a condensation of a forthcoming OECD review report on the public employment service (PES) in Japan, Norway, Spain and the United Kingdom². Often, the OECD works by studying specific issues using multi-country comparative data. Country reviews complement that approach with a policy-oriented focus on specific institutions, administrative practices, and sometimes their historical background in a given country. The approach helps in understanding behaviour or problems which stand out in comparison to other countries, and yet may seem only natural to observers within the country. Given the complexity of labour market behaviour and institutions, the review approach is particularly needed when examining labour market policies. This more detailed comparative review of PES activity in four countries gives a relatively concrete analysis of a range of topics, unemployment benefits and training and job creation programmes among them, revealing issues that are likely to be pertinent to many other OECD countries. Some of the wider international context, in terms of statistics for PES staffing, the distribution of labour market spending, and numbers of participants in various labour market programmes, has already been illustrated in Chapter 2.

Legislation – in areas such as minimum wages or employment security – is a significant form of government intervention in the labour market. Unemployment benefits or payroll taxes involve larger money flows than PES administration. In terms of staff employed, however, the PES is the government's most important instrument for implementing labour market policy. With over 15 000 employees in Spain and Japan and about 40 000 in the United Kingdom, it is similar in size to a large household-name company and typically accounts for more than half the central government payroll within the labour ministry or within the labour side of a broader ministry. Its size reflects its role of handling unemployed workers and vacant jobs on an individual basis, through a nationwide network of offices.

The next two sections explain some characteristics of the labour markets of the “review countries” and the

tasks assigned to the PES and its resources. Section D deals with job broking – the process of helping job-seekers to find successful matches with vacant jobs – and Section E with unemployment benefits. Section F sketches out the main national “active” labour market programmes.

B. NATIONAL LABOUR MARKETS AND LEGISLATION

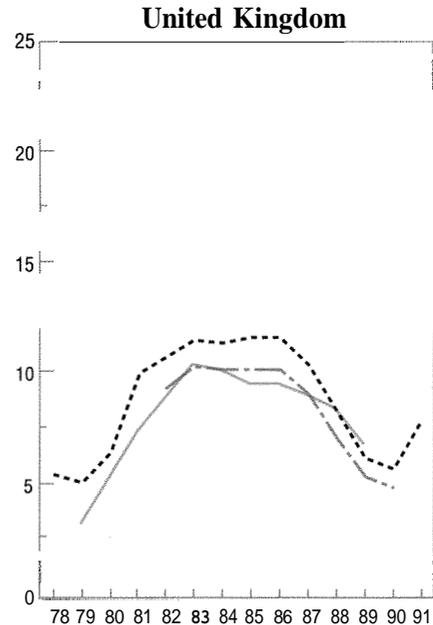
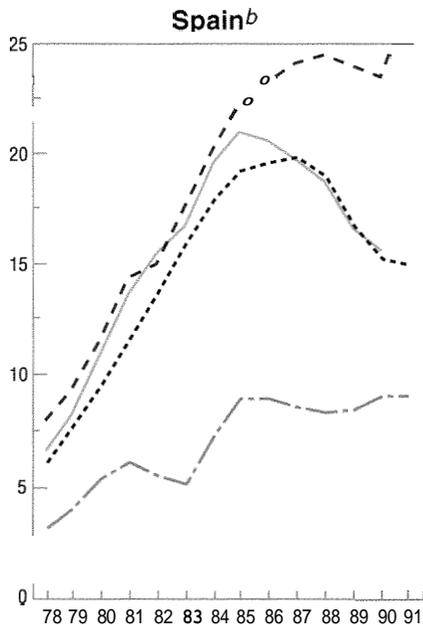
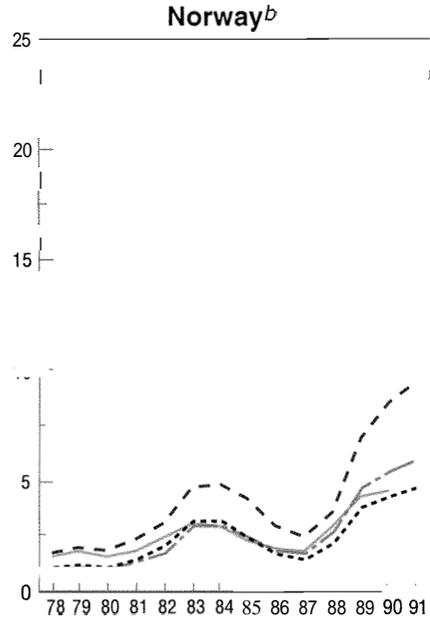
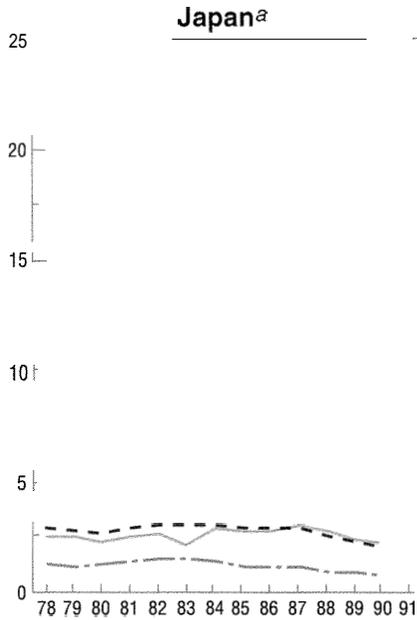
This section attempts to describe very briefly some specific features of labour markets and legislation in the review countries which have shaped the PES tasks, resources and strategies described in later sections. Chart 3.1 indicates some recent developments in several indicators of unemployment.

1. Japan

The Japanese labour market is characterised by the system of “lifetime” employment. Firms hire predominantly recent school and university graduates. While entrance wages are relatively low, seniority pay increases are large, giving employees a strong incentive not to change employer. At the same time, companies make great efforts to avoid declaring workers redundant, and mid-life unemployment is low. However, workers at the top of age-related pay-scales are expensive and firms have traditionally “retired” workers at age 55 (increased to 60 in recent years) with a lump-sum retirement payment. Given the past history of low levels of state pension provision in Japan, most people have sought to continue working after leaving their “lifetime” job, until age 65 or later. The job-seeker total includes a relatively large numbers of older workers, especially those aged 50 or more.

Chart 3.1

Unemployment rates on several definitions
Percentage of the labour force



- Labour force survey unemployed
- - - Registered job-seekers
- Registered wholly unemployed
- · - · - Persons receiving unemployment benefits

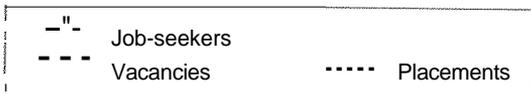
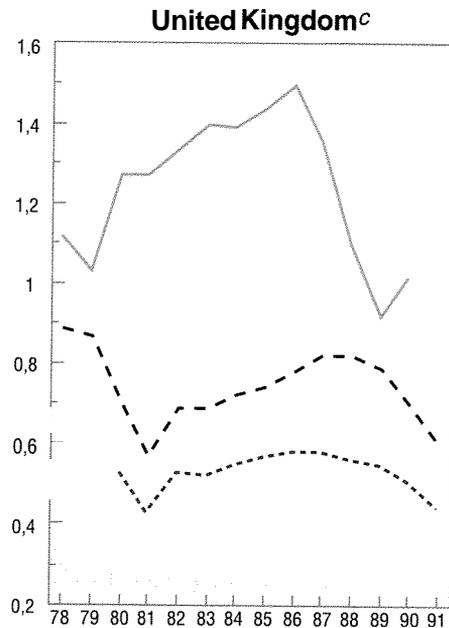
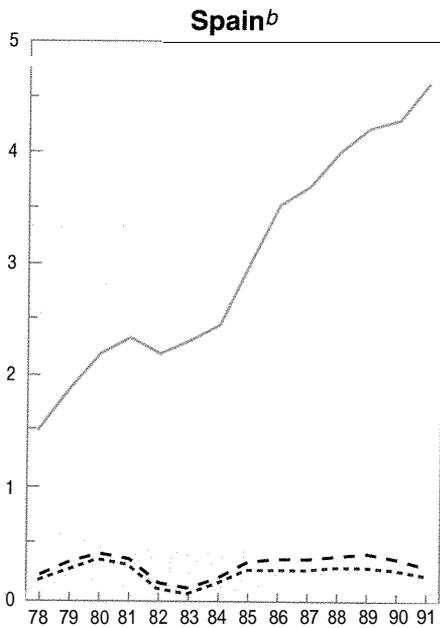
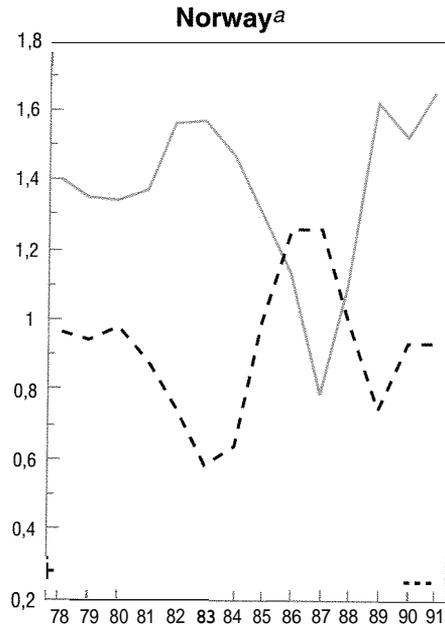
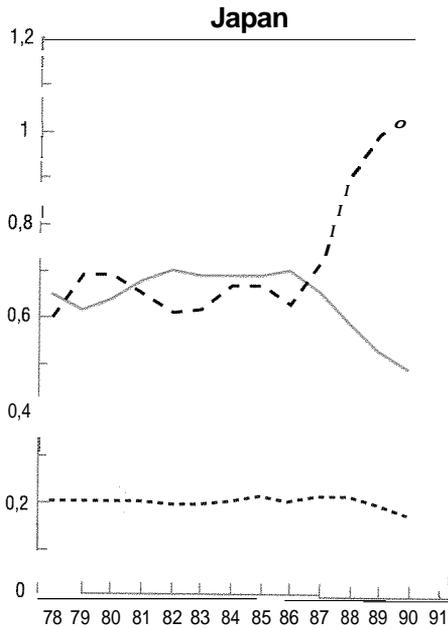
- a) Registered job-seekers, wholly unemployed and benefit recipient series reflect the impact of any administrative changes over the period.
- b) Persons receiving unemployment benefits in Spain and Norway include some people not counted among the registered wholly unemployed.

Notes et sources: See Table 3.1.

Chart 3.2

Monthly flows of registered new job-seekers, vacancies and placements

Monthly flows as a percentage of the labour force



- a) Placement data are estimates for one year only. Vacancies registered from advertisements account for 24 per cent of all vacancies to which job-seekers were referred by the PES
- b) The flow of job-seekers includes those who simultaneously register as job-seekers and fill a nominated vacancy, not separately identifiable

- c) The job-seeker flow refers to the inflow to registered unemployment. This flow and the vacancy flow shown here are affected by statistical breaks described in Chart 3.1.

Sources: See Table 3.1.

The lifetime employment model applies most clearly to male workers in large firms. The proportion of female workers covered by the lifetime employment practice is small: many women leave their jobs in mid-career following pregnancy and childbirth. Workers in small firms are also less likely to enjoy lifetime employment. Because of limited possibilities of internal reallocation and transfer, they often do not stay with the same employer for a long time. A sector of day labourers and temporary workers remains significant in certain industries. All these factors contribute to the existence of an active external labour market.

Unemployment insurance benefits in Japan are short in duration compared to most European countries, and, for persons with no entitlement to insurance benefits or who have exhausted them, it is difficult to qualify for Public Assistance on grounds of unemployment alone (in the absence of more specific need factors such as disability or lone parenthood)³. However, at least in 1991, the Japanese did not see much risk of unemployed people falling into poverty: it is widely believed that everyone who really wants to work can find work of some kind. During most of the 1980s, unemployment remained at low levels compared with other OECD Member countries, even though the labour market was slack compared with earlier Japanese experience. Each of these three features – a widespread belief that people who really want work can find it, limited benefit availability, and high labour demand – may help sustain the next.

As shown in Chart 3.2, in 1988 and 1989 the inflow of registered vacancies rose sharply while the inflow of job-seekers fell. The number of placements also fell, demonstrating that labour shortage rather than demand had become the main constraint on hiring. Labour shortage has led to an increase in the number of illegal foreign workers.

2. Norway

In Norway, local communities have traditionally played an important role in employment policy; indeed local employment offices were originally set up by municipalities. In the early 1970s, insurance benefits were limited to 21 weeks (for workers aged under 50), and local employment commissions took decisions on granting them. Municipalities still manage and finance welfare payments and social services to the unemployed who have no (or insufficient) insurance benefits. However, the duration of nationally-financed insurance benefits has greatly increased and control of local PES offices has passed to central government.

After the mid-1970s, petroleum revenues increased the possibilities of counteracting recessionary tendencies through expansionary economic policies, which included

spending on active labour market policies. From 1988/89 the unemployment rate not only reached record levels (for Norway) of near to or above 5 per cent, but stayed persistently high. The incidence of long-term unemployment, though still low by comparison with many other countries, has increased sharply to reach 20 per cent by 1991.

3. Spain

Historically Spain has had a relatively large self-employment sector, alongside a highly regulated labour market for salaried workers. With a few exceptions – within a short probationary period for new workers, when the firm is in economic crisis, or when the work involved is temporary by its nature – firms can only lay off workers at high cost. Unemployment in the early 1980s had become extremely high, and was heavily concentrated among young people who had never had a first job since leaving school. Less than a third of the registered unemployed were qualified for unemployment benefit.

A fundamental change in legislation in 1984 allowed firms to hire new workers on temporary employment contracts (for periods of up to three years) under much less restrictive conditions than previously, and with exemption from employer social security contributions for contracts involving training or work experience. This change led to extremely rapid growth in total employment from the second half of 1985 into 1991. Employment on temporary contracts soon became the norm for new hires, though many of these temporary contracts are later converted to permanent contracts⁴.

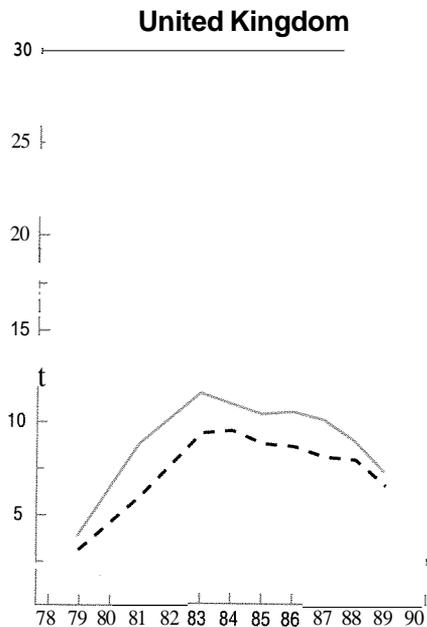
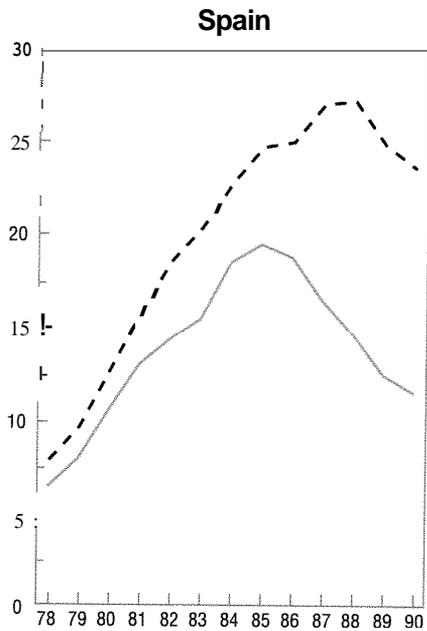
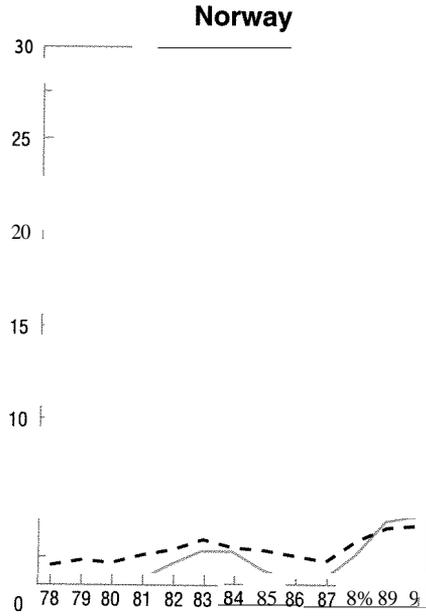
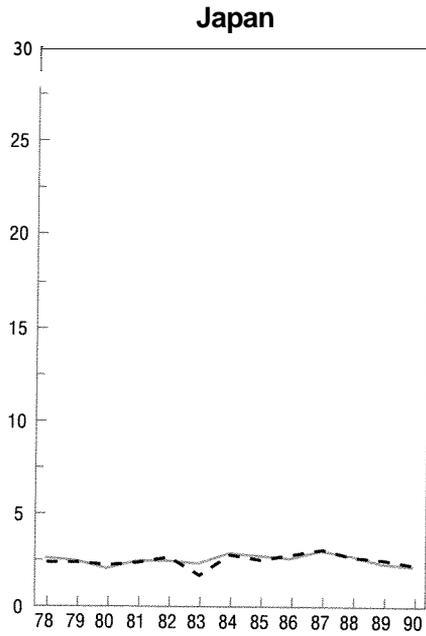
As already seen in Chart 3.1, the number of unemployed, both as measured by the labour force survey and by the number of registered wholly unemployed⁵, dropped sharply after 1984. Nevertheless, the number of benefit recipients has increased, because groups which formerly had never worked are now more often able to find temporary work and thus qualify for insurance benefits later on. Although both male and female employment grew rapidly after 1984, Chart 3.3 shows that unemployment fell only for males. The female labour force grew rapidly as many women entered the labour market in response to new employment opportunities. Thus, recent trends reflect continuing rapid structural change in the Spanish labour market.

4. The United Kingdom

The United Kingdom has a labour market with relatively few institutional barriers to labour turnover compared with Japan or many other European countries. Even when unemployment has been high, the monthly inflow of registered vacancies has remained at intermediate levels in international terms, and many unemployment spells have remained short by European standards.

Chart 3.3

Unemployment rates by sex from labour force surveys
 Percentage of the labour force



Males - - - Females

Sources: See Table 3.1.

The placement service offices (“Jobcentres”) were separated from unemployment benefit offices in 1973. In 1982, the legal requirement that benefit claimants register for job placement was dropped. Many of the Jobcentres have prominent sites in shopping streets, and quite a high proportion of employers use them to fill vacancies. Despite this success, concerns that many benefit claimants had lost contact with the labour market led to a marked shift in policy in the mid- and late 1980s, including a programme to re-unify the benefit offices with Jobcentres at local level.

Reflecting microeconomic flexibility, cyclical movements in employment and unemployment have been relatively large. As shown in Chart 3.1, in the 1980s registered unemployment fell rapidly, and the fall in unemployment as measured by the labour force survey was also substantial. Arguably, a good share of the improvement was due to the increased effectiveness of the Employment Service’s policies. However, more recently the United Kingdom has entered a deep recession.

C. THE TASKS AND RESOURCES OF THE PUBLIC EMPLOYMENT SERVICE

1. The tasks assigned to the PES

Norway and Spain have laws which forbid the operation of private employment agencies and make it obligatory for employers to notify vacancies to the PES. Thus, the PES has a monopoly in its work as a labour exchange⁶. However, the compulsory notification of vacancies is not enforced. Also, in the other two countries where private agencies operate, they have a relatively low share of all hires in the economy. Data on hirings in Section D suggest that the monopoly status of the PES in two of the countries may not in fact improve its share.

In all four review countries, the PES is responsible for most aspects of the administration of unemployment insurance benefits: accepting new claims, checking entitlement, paying the benefit, and deciding when to postpone, reduce or stop payment on labour-market-related grounds such as refusal to take work. By contrast, in two of the review countries, the PES is not responsible for the administration of any of the assistance (means-tested) benefits that may be paid to unemployed people⁷. In Japan, Public Assistance is administered by the Ministry of Health and Welfare. In Norway, social welfare is financed and granted by municipalities. Even so, in both these countries, when the authorities that pay the welfare benefits judge that a beneficiary is capable of work they

will often require him or her to register for work with the PES. In Spain, the PES pays unemployment assistance benefits, which usually follow exhaustion of insurance benefits and are of limited duration. Finally, in the United Kingdom, the benefit Income Support is, in the case of unemployed people, administered by the PES in most respects (although the Department of Social Security makes decisions on eligibility).

Only in Japan does the PES itself collect unemployment insurance contributions from employers: in the other three review countries, this is a responsibility of the tax administration. In Japan and the United Kingdom but not the other two countries, the PES has a separate section responsible for field-work investigation to suppress benefit fraud, especially, in the United Kingdom, undeclared work by benefit recipients.

Along with the provision of job-broking services and payment of unemployment benefits, PESs have, in varying degrees, responsibility for the implementation of “active” labour market measures. In all the review countries, the PES provides unemployed people with job-search help and information and guidance about places on training and job-creation schemes, but the degree of their influence over these schemes varies. In Spain, teachers and premises for the main training and job-creation schemes are paid for through the PES budget, whereas in Japan and the United Kingdom that financing passes through another part of the labour ministry. Under any financing arrangement, the PES needs to engage the help and co-operation of existing private and public sector employers. Perhaps more significant, in Japan, Norway and Spain the PES has closer control over access to the main training programmes available to the unemployed than it does in the United Kingdom. In Japan, the PES directly administers certain subsidies (for example, for restructuring and retraining in firms in declining industries).

To complete the qualitative picture of PES tasks, certain other areas of responsibility deserve mention. In Japan, the PES licences private employment agencies, which are allowed to operate only in certain occupations. In Spain – as will be explained in more detail below – most hirings entail a visit to a local PES office, to register the new employment contract.

In all four review countries, the PES is financed by central government rather than regional or local government. However, in certain other respects the arrangements for external control vary. In Japan, the headquarters forms part of the Ministry of Labour, but heads of the service at the regional (prefectural) level have two masters, the national PES headquarters and a high-level administrator within prefectural government. In Norway, Spain and Great Britain the PES has an agency status with some independence: broadly speaking, the principle is that the labour ministry sets policy objectives – some of them as quantitative targets for performance – and the PES top management then has considerable freedom in deciding on a strategy to achieve these objectives.

2. PES resources and workload

Table 3.1 shows the number of full-service office units and the total staff of the PES in the review countries, with its distribution across central, regional and local offices. Apart from these full-service or "district" offices, there are sometimes auxiliary office units for particular industries, groups of workers or geographically isolated areas. Japan, for example, has six full offices, 23 branch offices and 4 small offices for port workers and day labourers plus 28 small offices for limited services in remote areas. Norway has 18 offices for the disabled (one in each county) and 90 units for limited services in remote areas.

The bulk of PES staff is in local offices, although the central and especially regional offices have a relatively high share of staff in Spain. The average number of local office staff per district is highest in Great Britain and Japan, countries with relatively high population density. It may be that in Norway the need to improve accessibility of PES offices to people living in remote areas has motivated the splitting of offices into smaller units, while such considerations are less pressing in the United Kingdom.

In each of the three larger countries, the network is used by millions of job-seekers, and registers millions or hundreds of thousands of vacant jobs every year. The comparative statistics in Table 3.1 need to be interpreted with care, however. The high inflow of new registrations

Table 3.1. Employment Office networks, staff numbers and indicators of workload

	Japan	Norway	Spain	United Kingdom
PES office districts	479	120	675	1 100
Average number of local office staff per district	27	18	11	28
PES total staff	15 284	2 800	15 322	38 400
Percentage distribution of staff numbers ^{a)}				
Local offices ^{b)}	84	80	48	80
Intermediate-level offices	15	14	44 ^{c)}	15
National headquarters	1	6	8	5
Stocks per PES staff member ^{d)}				
Population	8 100	1 500	2 400	1 500
Registered job-seekers	85	65	260	n.a.
Registered wholly unemployed	n.a.	33	150	43 ^{e)}
Benefit recipients ^{f)}	32	41	85	37 ^{e)}
Notified vacancies	119	2	3 ^{g)}	5
Monthly flow per staff member ^{d)}				
New registrations of job-seekers	20	12	51 ^{g)}	n.a.
New benefit claims ^{h)}	8	6	10 ^{f)}	8 ^{e)}
Inflow of notified vacancies	44	7	5 ^{g)}	5
Placements	7	2 ⁱ⁾	3	4

n.a. Not available.

a) Information on office network and staff number relates to 1991.

b) Local office staff includes staff in auxiliary and specialised local offices as well as full-service offices.

c) Spain: the figure for intermediate-level office staff includes 2 114 officers for unemployment benefit administration, a function which is gradually being transferred to local offices.

d) Stocks and flows of clients in 1990, divided by the number of PES staff in local, regional and national offices.

e) United Kingdom: the stock of registered wholly unemployed relates to the administrative count of benefit claimants. New benefit claims are the flow into this stock. The stock of benefit recipients is estimated from survey information for claimants not currently receiving benefit.

f) The stock of benefit recipients includes only persons currently in receipt of a regular cash payment through the PES.

g) Spain: vacancies and placements exclude "nominated" vacancies, for which employers already have candidates. But new registrations of job-seekers include persons who present a "nominated" vacancy and immediately register an employment contract, who thus do not enter the stock of job-seekers.

h) New benefit claims include claims which are processed but do not lead to payment of benefit. The total may include several new claims a year by the same person, but transitions from one type of benefit to another (e.g. from insurance to assistance benefit in the United Kingdom) are not counted as new claims.

i) Secretariat estimates, approximate figures.

Sources: For office networks and staff, information from the countries concerned. For population, OECD *National Accounts*, Part 1. For registration and benefit data: Japan: *Japan Yearbook of Labour Statistics 1986*, Ministry of Labour; *Economic Statistics Annual 1990*, Bank of Japan.

Norway: *Månedstatistikk for arbeidsmarkedet*, Labour Directorate.

Spain: *Anuario de Estadísticas Laborales 1990*, MTSS.

United Kingdom: *Department of Employment Gazette*; Department of Social Security (1991a, Table C1.05).

Further note: Sources for Charts 3.1 to 3.3 are: earlier issues of the publications cited above; the OECD labour force data-base (as for OECD *Labour Force Statistics*); data supplied by the Norwegian Labour Directorate; *Boletín de Estadísticas Laborales*; and data supplied by the UK Employment Service from the NOMIS data-base.

of job-seekers in Spain includes people who come in to the office to register their new employment contracts (who thus never enter the outstanding stock of job-seekers); the inflow of registered vacancies in Norway is in part the result of a special effort by staff, who scan newspapers in their districts for job advertisements and enter these into the register; and Norway and Japan operate a “fully-open” display system, where vacancy cards show the address and/or telephone number of the employer, and this affects the recording of placements. Finally, the reference year for statistics of PES operations in Table 3.1 – 1990 – was not a typical year for each country. The labour market was relatively tight in Japan, Spain and the United Kingdom. In Norway, by contrast, 1990 was a year of high unemployment as compared with most of the 1980s.

With these provisos, Spain had the highest outstanding stock of registered job-seekers, unemployed and benefit recipients per staff member, while on most stock as well as flow measures the PES in Norway had the fewest clients per staff member. By any measure of vacancies and placements, Japan had the greatest workload per staff member; it also has an average position in terms of inflows of new job-seekers and benefit claims, but the lowest stock of persons in current receipt of benefit per staff member.

In all review countries, a substantial proportion of PES staff time is devoted to benefit administration, as opposed to placement or other “active” work. Administration may tend to be more time-consuming in the case of assistance benefits, where entitlement depends on the claimant’s family circumstances and all income received by the family unit, and even (in Great Britain) the family’s assets. With somewhat varying definitions and assumptions, the proportion of employee-years devoted to benefit administration can be estimated at one-fourth in Norway and more in Japan and Spain, especially if account is taken of staff sharing their time between this and other functions, such as reception and overhead administration. In Great Britain, benefit administration occupies over 60 per cent of staff resources.

All four countries maintain some form of separation between funds for unemployment benefits and other PES activities. Thus, if there is an unanticipated rise in unemployment, the increase in benefit payments will not make it necessary to cut staff in order to stay within budget. Nevertheless, the relative fixity of staffing levels creates a risk that, during a recession, additional benefit administration work may cut the time available for placement and other active labour market policies. This may be particularly the case where staff deal with both benefit and other matters: a relatively strict assignment of staff to specific roles, as in Japan and the United Kingdom, may help protect resources for non-benefit work⁸. Given the long-term nature of decisions on PES staffing (and property acquisition or leasing), the unpredictability of unemployment developments is a characteristic problem for PES management.

In recent years, computer systems have become an increasingly important resource for the PES. Computers have two main applications specific to PES work: job-matching, through coding of both vacancies and job-seekers by occupation, region and additional variables; and benefit administration, where systems can provide instant access to records of social security contributions and the history of current and previous benefit spells. Other applications include national data bases on training and education opportunities and counselling aids, allowing PES officers easy access to records of previous counselling sessions, etc. In general, computerisation permits cheap and fast recall, duplication, and transmission of information. For example, vacancy information, once entered, can easily be output as cards for notice boards, entries in job-opportunity newspapers, or personalised printouts for applicants. Thus, good systems can offer a faster and more accurate service for clients and save PES staff time. Also, without computer systems, internal statistical reporting is more costly and error-prone. Statistics of computerised operations improve management information flows and may permit the development of performance-rating systems for local offices.

In job-broking and benefit administration applications, computer systems must be developed with careful attention to PES functions, in conjunction with procedural norms such as the occupational classification system used for job-seekers and vacancies, and with extensive staff training to ensure that the system is used effectively. For these reasons, development of job-broking and benefit administration systems should, and does, involve long lead times.

Some examples may help to illustrate how computers can affect PES work. Through the 1970s and 1980s, the PES in Japan put considerable emphasis on computerisation and streamlining of basic processes. One advanced facility of the Overall Employment Information System is storage of the original vacancy cards written out by hand by employers (first notifications of vacancies by telephone are not accepted in Japan) as facsimile images. Thus, employers can draw a map or write in other information that is not coded (such as unusual job characteristics or a map showing how to get to the premises), and this can be printed out for a job-seeker at any PES office. In Spain, the concentration of staff at the regional level (see Table 3.1) largely reflects the siting of the computers for benefit administration. Over 1991 to 1993, while integrating the benefit administration system with Spain’s social security data base, computers will be extended to the local office level, and staff will move with them.

3. Quantitative indicators of PES strategies

Comparisons of placements of job-seekers into registered vacancies with placements of other kinds, as in Table 3.2, illustrate some of the broad lines of PES

Table 3.2. Registered job-seekers, placements and entries into main labour market programmes

Average monthly flows in 1990 as a percentage of the labour force

	Japan	Norway	Spain	United Kingdom
Job-seekers	0.49	1.51	4.27 ^a	1.03
Placements	0.18	0.33	0.28 ^b	0.52
Subsidised hirings	0.01	0.05	0.29 ^b	-
Training for the unemployed	0.01	0.19	0.12	0.09
Enterprise creation by the unemployed	--	--	0.04	0.02

a) Including all people coming to INEM offices to register an employment contract.

b) In Spain, many PES placements are associated with reductions in social security contributions, and these cases appear in both lines.

Sources: AS for Tables 3.1 and 3.10, and material supplied by countries.

practice. Placements into vacancies dominate in Japan, while placements into training are highest in Norway. Spain has the highest subsidised hirings, in the form of temporary contracts with exemption from social security contributions, and also a high level of placements into training programmes. In the United Kingdom, training programmes remain significant although, as in Japan, placements into registered vacancies dominate. Of course, such statistics tell only part of the story.

D. JOB-BROKING

1. Placement devices and methods

Once upon a time, placement work may have involved labourers and employers presenting themselves at the local office in the morning, employers taking on as many labourers as they needed for the day, and unemployment benefit being paid to the remainder. If procedures were indeed once this simple, they are certainly more complex now.

In the European review countries, employers can notify vacant jobs to the local PES office by telephone. In general, employers should inform the PES if they later fill the job without PES help: job-seekers are understandably irritated when they apply for a PES vacancy and then find it is already filled. Where no other intervention has occurred, the PES eliminates vacancies from its register after ten days in Norway and at the end of the second month after the month of notification in Japan (as a result, many employers notify at the beginning of the

month in order to benefit from nearly three full months of display); the two other review countries have no fixed rule on this point.

When a vacancy is notified, the PES may immediately identify one or several registered job-seekers and invite them to apply for the job. This can be a service to employers (supplying applications from only the most suitable candidates), or – when job-seekers are contacted by telephone – it can be the best method of making rapid contact with suitable job-seekers. Similarly, for employment counselling work, the PES may need to identify one or several vacancies which are suitable for each job-seeker. In Japan PES officers can have the computer system mail to unemployed people a list of vacancies corresponding to their age, occupational profile, etc.

To facilitate the process of matching job-seekers to vacancies and vice versa, three of the review countries codify both using a range of variables (especially occupation, but also salary offered/salary sought, age required/age, etc.). The creation and maintenance of an operationally-useful occupational classification can be difficult: the Japanese PES uses over a thousand occupations, while the PES in Norway has found the Nordic Occupational Classification more practical than the International Standard system. Given the coding system, it remains difficult to code individual job-seekers and vacancies. Employers may want to have a skilled worker for an unskilled wage, or supply only vague information about vacancies because they think they can adapt work to the person, because they are lazy, or want to avoid questions about why they have rejected apparently suitable candidates. Job-seekers may inaccurately describe their past occupation, or wish to change occupation with perhaps unrealistic expectations. In Japan, forms not only allow job-seekers to list three choices of occupation, but also have a box for recording mismatches arising when the job-seeker turns out to be unsuitable for the job he or she applied for. Thus, meaningful coding is not always a simple technical problem. It may involve some negotiation with clients, a process which itself helps the PES to get more detailed knowledge of both vacancy and job-seeker characteristics so that it can accurately refer job-seekers to suitable jobs rather than relying on job-seeker initiative. There is a risk that, under pressure of other work, coding systems may start to be used casually or not at all; management drives to restore the quality of the coding work are then needed.

In practice, much job-brokering occurs in local labour markets that have a limited occupational range of vacancies and little need for complex matching technology. Self-service systems – which in many countries were first introduced to economise PES staff time – now play a central role in all four review countries. With today's literate and occupationally differentiated clientele, self-service is less often impracticable and may be essential for high-quality provision. Most commonly, vacancy information is displayed on cards within local PES offices. As can be seen from Table 3.1, the average office

in the European review countries receives fewer than 200 new vacancy notifications per month. Even though selected vacancies from other offices are often displayed, one notice board within a local office often suffices. However some offices have several display areas, with vacancies classified by broad occupation (hotel/catering, building, etc.) in the United Kingdom, and more by personal characteristics (men/women/both sexes/older workers, and part-time jobs) in Japan.

In a “semi-open” self-service system, operated in Spain and the United Kingdom, card (and other) displays show only basic information (working hours, salary, occupation) and a vacancy number; job-seekers must approach a PES officer for further details, in particular the address and telephone number of the employer. Through such systems the PES can intervene by, for example, asking the job-seeker to register if not already registered, ensuring that applicants will use a contact system agreed with the employer, or dissuading obviously unsuitable candidates from applying. In the “fully-open” systems in Norway and Japan, employer names and addresses are displayed directly on the cards, and walk-in job-seekers can apply for displayed jobs without the PES intervening, or being aware of its own role in some of the placements which result. Although such casual use of the system is frequent, it is by no means dominant in Japan, where many job-seekers are supplied with letters of introduction. The PES strategy is to graduate interventions according to the degree of individual job-search difficulty, with fully-open displays for some job-seekers releasing staff time for more intensive placement of others.

Selected vacancies may also be displayed in PES “newspapers”, as in Norway where three free publications each cover one-third of the country. Well-functioning nation-wide computer systems can facilitate identification of vacancies and/or job-seekers in specialised occupations throughout the whole country. Computer terminals offering vacancy information are open to the public in some offices in Spain. In Norway, not only can job-seekers use the computer to scan vacancies (even in Sweden) by occupation, but also employers can scan job-seeker records: job-seekers may ask for their details to be withheld from public access, but relatively few do so.

Both Spain and the United Kingdom have tended to concentrate active PES intervention on the long-term unemployed. However, more recently the United Kingdom (with the introduction of the post of New Client Adviser) has put new emphasis on using its matching capabilities to identify vacancies suitable for newly registering job-seekers, and Spain is also strengthening such measures. In some countries, perhaps especially in Norway, the PES also devotes special efforts to seeking candidates for hard-to-fill vacancies, and is able to visit local employers, to encourage a good working relationship with them and thus reinforce its involvement in the local labour market.

2. Measures of market penetration

There are many possible indicators of the “market share” of PES activities. A first indicator is the proportion of unemployed people that is registered with the PES. As recorded in labour force surveys in 1989, 92 per cent of unemployed men and 88 per cent of unemployed women report that they are registered at an employment exchange in Spain, while in the United Kingdom the proportions are 73 per cent for men and 38 per cent for women [Commission of the European Communities (1991, Chart 45)]. In the United Kingdom, registration is restricted to benefit claimants and unemployed women relatively infrequently qualify for benefits. In Spain, the total stock of registered job-seekers continued to increase during the latter 1980s, rising far above the stock of registered unemployed (see Chart 3.1). Here, a significant proportion of job-seekers register largely in order to gain later access to training courses, which carry a grant; and in some cases students register as unemployed, since this can help establish that the parents are entitled to a grant for an unemployed dependant. Also, a perception that priority is given to long-term unemployed in placement (indeed internal computer listings of job-seekers suitable for a particular vacancy, once other matching criteria have been satisfied, start with the longest-duration unemployed) may encourage people to register before they want to start work.

A second indicator of PES “market share” is the proportion of vacancies registered with it. Employer surveys which can identify all vacancies in the economy are relatively rare, but in the United Kingdom surveys by Social and Community Planning Research (SCPR) in 1976 and 1982 and by IFF in 1987 suggested that 30, 44 and 54 per cent respectively of vacancy inflows were notified to the PES. In Norway, only about 40 per cent of registered vacancies are notified to the PES by employers; the other 60 per cent are entered by staff in local PES offices from local newspapers. It is thought that the register covers about 80 to 90 per cent of all publicly-announced vacancies in the economy.

A high registration rate does not necessarily indicate PES effectiveness, for labour force surveys also show that large numbers of registered unemployed are not actively seeking work and are thus not unemployed on the labour force survey definition: if they are too difficult to place, registering them may only dissipate PES efforts. Vacancy registrations, too, may imply varying degrees of contact and commitment from employers. Thus, the indicator most clearly corresponding to the concept of a PES “success” rate may be the proportion of all hirings that are made with PES help. Four surveys which cover a variety of methods of access to employment – though differences in survey method and coverage make them not closely comparable – are shown in Table 3.3. PES shares in hirings vary from nearly 30 per cent in one of the United Kingdom surveys to only 6 per cent in the survey shown for Norway. This low percentage is to

Table 3.3. Access routes to employment in Norway, Japan and the United Kingdom

Percentages

	Japan	Norway ^{a)}	United Kingdom		
	1988	1990	1987	1988	
Reported by:					
	Employees	Employees	Employers	Ex-registered unemployed people:	
				Male	Female
PES	20	6	29	25	16
Newspaper, poster, and billboard	36	27	23	16	22
Connections	27	23		25	21
Direct contact with the firm	c	28	35 ^{b)}	11	8
Schools	11	c			
Private agencies	c	c	5	5	12
Other	6	16	7	18	22
Total	100	100	100	100	100

a) Norway: in two other small employer surveys in 1990 and 1991, which followed vacancies publicly announced (by PES notification or advertising), when hirings occurred employers reported receiving help from the PES in 25 and 33 per cent of cases respectively. See *Rekrutteringsundersøkelsen 1990* (Report 1991: 4, Labour Directorate, Oslo 1991).

b) Figure refers to all informal contacts.

c) Not recorded by the survey in question.

Sources: Japan: Ministry of Labour.

Norway: An unpublished Labour Directorate paper of 1991, using a special study made in connection with labour force surveys in the spring 1990.

United Kingdom, 1987: IFF survey.

United Kingdom, 1988: Garman, Redmond and Lonsdale (1992, Table 6.16).

some extent due to the Norwegian open-file system. Other surveys among employers (see footnote to Table 3.3) indicate a higher market share, but still suggest that the PES has a much lower share than private advertising does (though again, because advertised vacancies that have not been notified are nevertheless listed by the PES, employers may not always be aware of PES help). In Japan the PES share approaches two-thirds of the advertising share, and in the United Kingdom the PES actually has a higher share than advertising in some surveys. The shares of private agencies, though significant, remain much lower¹⁰.

Table 3.4 gives some indicators of PES placement work based not on sample surveys but on aggregate statistics. Placements as a percentage of vacancy notifications are much lower in Japan and Norway than in Spain and the United Kingdom. The reasons are fairly clear. In Japan, the situation of acute labour shortage in 1990 resulted in many vacancies not being filled by any route, and incited employers to post vacancies on a semi-permanent basis to improve the chances of getting a suitable application. In Norway, the overall placement rate is low because the PES fills by referral probably less than one-tenth of the vacancies registered from local newspaper advertisements: the proportion among vacancies notified by employers perhaps approaches a half. Furthermore, because Japan and Norway have fully-open vacancy displays, not all job hires that occur with PES help are recorded as placements. For the United Kingdom the comparisons between administrative data and indepen-

dent labour market data in Table 3.4 tend to confirm a relatively high PES share. Table 3.4 also suggests that market share of the *Instituto Nacional de Empleo* (INEM) is not as low as is sometimes suggested in Spain [see also OECD (1992, p.70)], but this share would be lower if vacancies for jobs subsidised by INEM itself were excluded.

In all countries, the main complaint of employers about the PES is that it does not supply suitable candidates, and their main reason for not using the PES is the belief or hope that other recruitment methods will prove more effective in this respect. If the PES in effect provides a free equivalent to private sector (mainly advertising) methods of recruitment, it may have a high market share, but in effect places only those unemployed people who would have found work without any PES intervention; if the PES tries to accelerate the placement of those unemployed who have characteristics less attractive to employers, or who are not strongly motivated to seek work – either by general encouragement or direct referral to vacancies – its reputation with employers may suffer. A sharp fall in registered unemployment is normally accompanied by an increase in the inflow of registered vacancies but, as shown in Chart 3.2, such an increase did not occur in the United Kingdom between 1987 and 1989¹¹. It seems possible that over this period the shift to a much more active stance by the PES, concentrating on the long-term unemployed, both made a substantial contribution to reducing unemployment and tended to reduce the PES share of vacancies.

Table 3.4. Vacancy inflows and placements, 1990

	Japan	Norway	Spain	United Kingdom
PES administrative data:				
Annual vacancy registrations (000s)	7 980	237	684	2 413
Annual placements (000s)	1 356	ca 50	506	1 764
Labour market data:				
Dependent employment (000s)	47 726	17 61	9 073	22 824
Monthly new hires as a percentage of dependent employment (approximate)"	1.9	ca 2.3	2.2	2.1
Derived indicators:				
Placements as a percentage of vacancy notifications	17	ca 21	74	73
Monthly vacancy registrations as a percentage of dependent employment	1.39	1.12	0.63	0.88
Monthly placements as a percentage of dependent employment	0.24	ca 0.24	0.46	0.64
Vacancy registrations as a percentage of all hirings	70	ca 50	30	40
Placements as a percentage of all hirings	12	ca 10	20	30

a) These estimates are based on the following considerations. In *Japan*, the Survey on Employment Trends shows that about 19 per cent of employees had been hired within the last year: the monthly hiring rate is somewhat over 1/12 of the annual rate. The Monthly Labour Survey shows average accession rates of about 1.8 per cent per month for firms with 5 and more employees. In *Norway*, in the Labour Force Survey about 18 per cent of those in dependent employment report that they started within the last 12 months, but there is significant turnover in short-term jobs. In *Spain*, most new hires appear among the 4.6 million new employment contracts registered with the PES in 1990. If about half the contracts represent new hires (others being extensions of previous contracts), the hiring rate would be about 2.1 per cent per month. In the *United Kingdom*, the monthly hiring rate in manufacturing is 1.9 per cent, and figures for Japan and France indicate that the rate in the whole economy is 10-30 per cent higher than in manufacturing. In the 1990 UK Labour Force Survey, 6 per cent of employed persons said they had started in the last three months.

Sources: As for Table 3.1; estimates based on OECD *Labour Force Statistics*; and for note a), *Japan Yearbook of Labour Statistics*; 1988 UK *Employment Gazette*, 1989, OECD (1986, Table II-3), and Table 3.10 below.

E. UNEMPLOYMENT BENEFITS

This section considers unemployment benefits paid by the PES mainly from two points of view: the availability of unemployment benefits affects who registers unemployed and the incentive for this clientele to enter jobs and training courses; and the administration of benefits is a significant task for the PES which may be more or less closely linked to its placement work.

Some conceptually simple but important issues arise concerning the processing of individual benefit claims. In Norway and the United Kingdom, entitlement to insurance benefit is determined with reference to earnings or contributions over the past (or several past) full tax years, with the result that a person who has worked for a fraction of a year before entering unemployment may get nothing or a full rate of benefit, depending on the time of year that the entry to unemployment occurs. Computerised access to records of social security contributions on a weekly or monthly basis might make it relatively easy to eliminate this minor anomaly. For most claimants, the delay involved in recognising and paying valid claims is often an important issue. In Spain in 1989, the average delay was 40 to 45 days. In the United Kingdom in 1990/91, 87 per cent of claims were put into the computer system within six days, but this does not preclude lengthy delays in actual payment – for example, when it is necessary to ask an employer whether the former job was left voluntarily.

1. Entitlement rules and coverage

In three of the review countries, the level of insurance benefit is related to earlier wages, subject to an upper ceiling. In the United Kingdom, benefits are at a fixed rate unrelated to previous earnings. Taking the case of prime-age workers (40 years old) who qualify for insurance benefits, the maximum duration of insurance benefits is 210 days (30 weeks) with some exceptions in Japan, one year in the United Kingdom, and two years in Spain. In Norway, in mid-1991 the maximum duration of insurance benefits was 80 weeks (but see below). Limited space here permits only a brief description of some salient details of entitlement rules in specific countries.

In Japan the duration of regular insurance benefits varies as a function of both age and contribution record, ranging from 90 days for workers aged under 45 with 6 months to 5 years of contributions, to 300 days for workers aged over 55 with over 10 years of contributions. Limited extensions are made for handicapped persons, and in some other circumstances involving special difficulty in finding employment. Regular monthly benefit accounts for only about 73 per cent of total benefit expenditure, and a special scheme for day labourers accounts for 4 per cent. A further 16 per cent is paid out in lump-sum unemployment benefits. The PES can, with regard to the irregular nature of work or work history, classify a person as a seasonal worker. In this case, conditional on the general requirement of a minimum six-month contribution record, benefits are paid as a

lump sum equivalent to 50 days of regular benefit, and a similar system applies to workers aged over 65 (though in this case the lump-sum payment can rise to the equivalent of 150 days benefit following a long contribution record). Apart from the improvement in the incentive to take work, one reason for making lump-sum payments to these specific groups may be that the PES finds it relatively expensive to help their job-search. Irregular workers may be familiar with the local employment market on the basis of their own prior experience and acquaintances, and have less to gain from PES advice; workers aged over 65 may tend to find casual work if any, since formal vacancies usually have an upper age limit; and for both groups any jobs found are likely to have short tenure. The last 7 per cent of benefit expenditure is on payments of the lump-sum Re-employment Bonus which, as its name suggests, is paid when persons already entitled to regular benefit enter a job. It is described in more detail in Annex 3.A.

In Norway the replacement rate, which had been fairly low during the 1960s, increased considerably between 1971 and 1981. The maximum duration of uninterrupted benefit payment, initially 20 weeks, increased to 40 weeks in 1977 and to 80 weeks in 1985. From 1985 to 1991, after payment of insurance benefits for 80 weeks there was a 26-week period in which no insurance benefits could be paid. After this a claim for insurance benefit could normally be made for another 80-week period at a lower rate. In 1991, the 26-week period without benefits was reduced to 13 weeks and the fall in replacement rate in a second period was limited to 10 per cent. From May 1992, in cases where the PES cannot offer a job or training place, benefit can run continuously over two periods totalling 186 weeks. Thus, for prime-age workers, Norway now has the longest potential insurance benefit duration among OECD countries, except for Belgium [see OECD (1991, Chapter 7) for comparisons].

In Spain, the duration of insurance benefits (*Nivel Contributivo*) is half the duration of the preceding employment spell within limits of six months to four years – that is to say, benefit entitlements vary from three months to two years. Because (in contrast to the other three review countries) benefits are not subject to income tax, the 80 per cent gross replacement rate in the first six months of unemployment can correspond to a net replacement rate of over 100 per cent¹². During a second six-month period of benefit the gross replacement rate falls to 70 per cent and then falls again to 60 per cent. In many cases the transition to the assistance level of benefit involves a further sharp fall. Assistance benefits with cash value (*Subsidiopor Desempleo, SSD*), usually at the rate of 75 per cent of the national minimum wage, can be paid when income from all sources per family member is below the minimum wage. The two most significant cases of payment are for persons who have exhausted insurance benefit and have family responsibilities, who can receive assistance for 18 months and in some cases slightly longer, and for persons aged over 52 who can

receive assistance regardless of family responsibilities until they qualify for a retirement pension at age 65. However, with a few exceptions (returning migrants and prison-leavers) no assistance benefit is available to persons without a recent work record.

As a result of these entitlement rules, benefit entitlements in Spain are typically sharply differentiated according to age. Younger unemployed have often never had a job and receive no benefit, and in their twenties often live with and depend on the family. Workers with a long record of earlier employment are entitled to benefits for two years, rising to three and a half years when they have family responsibilities, and workers over 52 can receive assistance benefits indefinitely. INEM's emphasis on training, both through its own courses and through subsidised private sector contracts, complements this benefit structure.

In the United Kingdom, three-quarters of all benefit recipients receive only Income Support, an assistance benefit that can be paid indefinitely and is not conditional on having a previous employment record. Income Support is conditional upon other family members not being in full-time work, and begins to be withdrawn if the family has any other income above a certain low limit. Several incentives and administrative factors may contribute to the high incidence of Income Support. When benefit sanctions are applied – for example if the claimant has left his job – insurance benefit is stopped but Income Support is normally still paid at a reduced rate¹³. Upon qualifying for Income Support, persons in rented accommodation automatically qualify for Housing Benefit, which pays 100 per cent of rent¹⁴. High net replacement ratios may be more common for Income Support cases than for persons who qualify for insurance benefits, who more often have recent work experience. Income Support has been in effect longer than many other countries' minimum income benefits, and this may also be a factor since the current pattern has developed over many years.

2. The insurance benefit status of registered job-seekers

The coverage of benefits affects some aspects of the structure of unemployment, as measured by labour force surveys [see OECD (1991, Chapter 7)]. Criticising theoretical analysis which considers unemployment benefits only in terms of the level of benefit, Atkinson and Micklewright (1991) have recently emphasized the importance of both limits to entitlement and institutional conditions for granting benefit. The significance of both factors can be seen in a comparative PES context by considering the size of some significant subgroups of job-seekers, defined in relation to their insurance benefit status:

- i) Unemployed in current receipt of benefits;
- ii) Unemployed who are entitled to benefits

through their contribution record but are not (or not yet) receiving benefit because they quit a former job voluntarily;

- iii) Unemployed who have previously received benefits but have now exhausted them;
- iv) Unemployed who entered unemployment with an insufficient contribution record for benefits;
- v) Employed job-seekers who have a part-time job and remain entitled to benefits on grounds of partial unemployment;
- vi) Employed job-seekers without benefits.

Subgroup v) is discussed in Annex 3.B, which also considers the in-work Family Credit benefit in the United Kingdom.

Table 3.5 gives some indicators of the size of groups ii) to iv) without insurance benefits (persons without insurance benefits may, however, still receive assistance benefits), and also indicators of the frequency with which benefits are stopped or reduced during the course of a current benefit entitlement period (on grounds of not being available or willing to work). The proportion of new benefit claims after job separation that are subject to temporary postponement (in Japan) or loss (in the United Kingdom) of insurance benefits, as a penalty for voluntary leaving of the former job, is approximately 70 per cent in Japan, 5 per cent in Norway and 10 per cent in the United Kingdom. As discussed in Annex 3.C, the administrative assessments of voluntary quit into unemployment in the two latter countries seem low compared with survey evidence about the incidence of quit.

The proportion of new insurance benefit payments that end in benefit exhaustion is about 40 per cent in Japan, 7 per cent in Norway, 65-70 per cent in Spain in 1985 (but probably lower by 1990), and 13 per cent in the United Kingdom. However, insurance exhaustees as a proportion of the stock of registered unemployed who have had benefits are probably well below 40 per cent in Japan¹⁵, 30 to 40 per cent in the United Kingdom¹⁶ and over 50 per cent in Spain¹⁷. It seems likely that in Japan exhaustion of insurance benefit often leads to a cessation of registration [as discussed in OECD (1991, Chapter 7)].

The proportion of registered unemployed who have never qualified for any benefit during the current unemployment spell in Japan seems to be quite low, about 10 per cent. In Norway, the proportion is about 25-30 per cent; persons receiving social welfare on grounds of unemployment, mainly young people who have never worked, are a recognised problem group in some of the major cities. In Spain, about one-third of the stock of registered unemployed appear never to have received any benefits. In the United Kingdom, one-third or more of the stock of all benefit claimants appears never to have received insurance benefit during the current unemployment spell. Most of the others are receiving Income Support, but some are waiting for a claim to be determined. The low proportion of benefits spells that start with insurance benefits (less than half for men), accounts as much

and perhaps more than exhaustion of the insurance benefit for the predominance of Income Support in the stock of recipients.

3. Availability and willingness-to-work requirements

As well as entitlement rules, unemployment benefits are subject to eligibility conditions which state that claimants must be available for work, willing to work, and co-operate with the PES; details vary across countries. Specific acts such as voluntary departure from a job, refusal to take suitable work, or refusal to enter a training course usually lead to temporary suspension of benefits. Repeated refusals may lead to longer suspensions and eventually to termination¹⁸. Through these measures, the PES may be able to enforce eligibility conditions for benefits effectively. It is important to assess whether this is the case, because according to some analyses effectiveness in the application of various benefit eligibility rules is a critical long-term determinant of national unemployment rates¹⁹.

In all the review countries, benefit and placement services are provided at separate desks or in distinct reception areas. Within this context, in Japan, Norway and Spain the decision to apply a benefit sanction because a person is not actively searching for work, refuses to take a specified job, fails to attend training as directed, etc. can take place after discussion between the benefit and placement sides within the local office, perhaps most typically after referring the case to the office manager. However, in the United Kingdom, although integration of the benefit and employment contacts with clients is proceeding, all benefit decisions must be referred to separate adjudication services: a service within the PES as regards insurance benefits, and a service within the Department of Social Security as regards Income Support. Adjudication officers take decisions on the basis of written evidence rather than other contact: this procedure is felt to provide greater impartiality. In all countries, appeal procedures are important for determining the interpretation of the law and thus setting the limits-of practice on the day-to-day level.

As shown in Table 3.5, in Norway and the United Kingdom there is less than one decision leading to temporary benefit disqualification, on grounds of specific acts such as refusal to take work, per year per hundred persons in the stock of benefit claimants. In the other two review countries as well, the risk of being disqualified once a benefit claim has started may be fairly slight. It seems possible that the norms for not accepting a claim at all, or disqualifying a claim indefinitely, have a more significant impact. Long-term disqualification may occur if it becomes clear that a person is not available for work because of personal sickness or disability, caring for sick relatives, caring for children, or full-time study. Alternative benefits are usually available for some of

Table 3.5. Groups without insurance benefits: voluntary quit of job, exhaustees, new entrants and sanction during the benefit spell

	Japan	Norway	Spain	United Kingdom
Disqualification for voluntary quit of job				
Length	Typically 3 months	8 weeks, 12 weeks in repetitive cases	Total disqualification	Up to 26 weeks
Frequency (proportion of new claims)	About 70 per cent	4 to 8 per cent over 1985-1990	In disqualified cases, no claim is made	About one-tenth of claims made after a job separation
Method of verification	Claimant must obtain "job-leaving certificate" where employer will specify reason for separation	Job-seeker or PES must obtain written employer statement before benefit claim starts	Applicants for benefit must supply notice of termination of contract issued by the former employer	Claimant makes verbal statement about reasons for leaving: this may be verified by letter to the former employer
Proportion of spells of insurance benefit which end in exhaustion of this benefit	About 40 per cent ^a	About 9 per cent ^b	Was about 65-70 per cent in 1985 ^c	About 13 per cent ^d
Proportion of the current stock of registered wholly unemployed that has never received insurance benefit	10-20 per cent ^e	About one-quarter/	About one-third ^e	About 65 per cent ^f
Disqualifications during the course of benefit spells (annual number of disqualification events as percentage of stock)	Not known	0.9 per cent in 1990	Not known	About 0.2-0.3 per cent

- a) Statistics for Tochigi prefecture in Japan in 1990 show that benefit terminations were about 40 per cent of inflow. However, cases of exhaustion reported for a given year relate to benefit starts in both the current and the previous years.
- b) In Norway 14 000 persons exhausted their 80-week entitlement to benefit in 1990, while 1% years earlier about 160 000 new benefit claims were approved.
- c) The proportion of insurance claims ending in benefit exhaustion in Spain cited here has been estimated from Alba-Ramirez and Freeman (1990), Table 1 and Figure I. By 1990 the maximum duration of benefits had increased from 18 to 24 months and the labour market had improved, so the proportion of exhaustees had probably fallen.
- d) For the United Kingdom, Micklewright (1990) states that "only 13 per cent of people who started to claim unemployment benefits in the year from July 1987 had not left unemployment within 12 months", based on Department of Social Security (1989). But it is not clear whether this applies only to claimants who started with unemployment insurance or includes as well claimants who started their claim with Income Support.
- e) In Japan most unemployed register with a job-leaving certificate.
- f) In Norway in 1990, there were about 93 000 registered wholly unemployed of which only 70 000 were in receipt of insurance benefits.
- g) In Spain, about 35 per cent of the stock of 2.35 million unemployed registered in 1990 received neither insurance, unemployment assistance, nor health assistance benefits (which are paid on exhaustion of the earlier benefits). Some of those with no benefits may have exhausted earlier benefits but not been qualified for assistance or health insurance benefits (because there is other income in the family), but the majority are probably young people or labour force re-entrants with no work record who have never qualified for benefit.
- h) In the United Kingdom the 65 per cent figure refers to persons not receiving, or having had, an insurance benefit, but most of them will be in receipt of assistance benefits. Only people claiming benefit (including those whose right to benefit has not yet been determined) can be registered as unemployed. Less than 20 per cent are currently receiving insurance benefit, but claims awaiting approval may lead to future entitlement in 5-10 per cent of cases and about 20 per cent of unemployed have exhausted an earlier insurance benefit.

Sources: As for Tables 3.1 and 3.6, and sources cited in the notes.

these circumstances (e.g. disability) but not others (e.g. caring for children and full-time study). Long-term unemployment is in some cases associated with poor health. Students (especially in the United Kingdom, where lack of employment record does not affect entitlement) may have a strong incentive to represent themselves as job-seekers. Thus, the availability-for-work criteria can be difficult to apply. In the case of childbirth, clear-cut rules are possible. In Japan, unemployment benefits are not paid from six weeks before to eight weeks after birth, but then payment can resume with no loss of entitlement, and in the United Kingdom a maternity allowance at 96 per cent of unemployment insurance rates replaces unemployment insurance for an 18-week period around childbirth.

For Norway and the United Kingdom, some time-series statistics for benefit disqualifications of various kinds are available (Table 3.6). Twenty years ago, Norway was exceptional in its strong insistence on active placement measures for unemployed people. OECD (1972, p. 127) reported that “in some areas, there is a strict enforcement of the principles that benefits are to be paid as a last resort”; 2.0 per cent of applicants for benefit “were rejected because they refused jobs considered suitable for them by the local employment committee”. It was, however, the case then that seasonal workers were often granted benefits without such active intervention. In 1981 the rate of rejection was still 2.0 per cent, but it fell steadily even during the mid-1980s recovery of the labour market and reached less than 0.2 per cent by 1989 and 1990. In 1991, the authorities introduced an initiative to make policy in this field more restrictive again. For the United Kingdom, Table 3.6 shows sharp fluctuations in the numbers of benefit denials on grounds of availability. The increase in 1986 and 1987 certainly reflects major changes in management practices following, in particular, a critical report by the National Audit Office in 1985 [Brown (1990, p. 194)]. Decreases in 1989 and 1990 may reflect adjustment to earlier changes, for example if by 1986/87 a backlog of persons who could easily be transferred to sickness and disability benefits had been absorbed, or if claiming benefit by full-time students had been customary before 1986/87, but ceased to be so afterwards.

4. Benefit fraud and measures to combat it

Claiming benefit while not being available for work or not actively searching for work as required by legislation may be described as “abuse”. “Fraud” refers to a range of other issues. Minor fraud in the form of non-declaration of earnings from casual work by benefit recipients may be quite common, and provides a basis for development of more regular undeclared working. Other forms of fraud include claiming unemployment benefit in several names or together with incompatible benefits such as

sickness benefit, the creation of artificial employment relationships which pay insurance contributions to generate later entitlement to benefit, and making false declarations in order to qualify for special employment promotion benefits such as the Re-employment Bonus in Japan. The PES needs to carry out checks to ensure that such explicit fraud remains infrequent.

One issue is how effectively the administration cross-checks among its own records. In Japan, computer matches regularly identify cases where people claiming benefit are also in a regular job according to records of employment insurance contributions. In Norway, a working party is currently studying how best to match PES records with social security and tax records. In Spain, advances in computerisation have facilitated matching of benefit records against records of employment and other social benefits. If it appears that a person with unemployment benefit is working or has another benefit, the case is investigated further. This action led to savings of Ptas 50 billion (US\$ 500 million) over the three years 1988-1990. Computer checks of this kind often detect cases where a person has started work without notifying the change to the PES, resulting in benefit overpayment which, although recovered, is not necessarily interpreted as fraud. In the United Kingdom, no computer-matching with social security contribution and tax records seems to occur.

Within the PES there are separate fraud services in Japan and in the United Kingdom, able to visit homes, workplaces, etc. as appropriate. In both countries, the fraud service has roughly one staff member per local employment office. The fraud staff have a separate management structure, with no supervisor within the local employment office, but they encourage local office staff to contribute to their work by referring cases for investigation. In Japan, much of the work is routine verification of information: statistics for Tochigi prefecture show about 6 000 cases investigated per year, with illegal receipt of benefit found in only about 100 of these. A variety of types of possible fraud are investigated. In the United Kingdom most cases involve “signing and working”, i.e. receiving benefits while working. In recent years there have been a total of 300 000-400 000 cases per year investigated, leading to 65 000-85 000 withdrawals of benefit claims and 3 500-4 500 prosecutions per year. The proportion of cases leading to savings is much higher than in Japan, probably because investigations take place only when some specific grounds for suspicion are present – such as inconsistency in statements to the PES, arrival in a builders’ van to sign on as unemployed at the PES office, or letters from members of the public. Collusive employers, who are found to have several people claiming benefit while working for them, are investigated in their own right and likely to be prosecuted. On the basis that withdrawn claims would have continued on average for 22 weeks if they had not been investigated, the fraud operation is reckoned to generate savings on benefit alone which exceed costs several times over.

Table 3.6. Benefit decisions in Norway and the United Kingdom

Norway, 1981-1990						
Approvals of new claims	Rejections of new claims			Claims in progress	Disallowances during a claim	
	Stopped work without acceptable reasons	Refused to take suitable work	Other ^a			
1981	103 545	7 166	2 053	6 420	46 339	–
1984	156 388	7 954	1 163	12 135	101 057	–
1987	93 424	7 599	874	7 221	52 730	–
1989	225 260	8 792	300	11 352	101 973	–
1990	191 656	7 772	274	12 120	116 387	1 207

United Kingdom, 1985-1990						
Total new claims ^b	Disallowances					
	New claims		New claims or claims in progress	Claims in progress only		
	Voluntary leaving	Misconduct	Non- or restricted availability	Refusal of employment	Not actively seeking employment ^c	
1985	4 632 806	306 535	101 271	56 076	2 005	–
1986	4 733 095	322 867	101 716	70 964	2 658	–
1987	4 352 047	342 482	101 272	103 319	2 890	–
1988	3 645 888	277 789	84 907	102 376	3 004	–
1989	3 134 537	235 431	74 501	66 391	3 766	86
1990	3 410 174	230 388	68 396	37 454	3 386	1 312

a) Norway: other reasons include failure to qualify (for example because income during the reference year fell below level needed for entitlement).

b) United Kingdom: many claims begin upon entry to the labour force rather than separation from a job.

c) Disallowances on availability grounds can arise at the start of a claim or during a benefit spell.

d) This ground for disallowance was created by 1989 legislation.

Sources: Administrative statistics supplied by the two countries.

In Norway and Spain, the PES has no service that undertakes field-work investigation of fraud. Working while claiming may be an increasing problem among certain professions, and some capability for field-work investigation may become necessary. However, in Spain, field-work investigation is the responsibility of a separate body under the Labour Ministry, the Labour Inspectorate, which has broad responsibility for ensuring that employer-employee relationships are legally registered.

In Japan, the PES accepts claims for benefit even when the employer has not actually paid insurance contributions. An enterprise that does not pay insurance contributions thus runs a risk of detection when a former worker applies for benefit. Thus a system of insurance benefits, although prone to some fraudulent claims, can also make a contribution to suppressing undeclared work in the economy as a whole if workers losing jobs are actively encouraged to claim.

F. ACTIVE LABOUR MARKET PROGRAMMES

The category of “active” measures here refers to measures designed to increase flows from unemployment into employment and education, and this includes activities of PES staff as well as training courses, job-creation and employment promotion programmes.

1. Interventions during the unemployment spell

A strategy of directing each unemployed person to apply to a job vacancy or enter a training programme selected by the PES may fail to place people in slots that best match their individual needs. A better approach may be to spend PES resources on contact with unemployed people that aims to help, persuade or pressure them into themselves choosing among a range of options. An overview of some practices of this kind is given in Table 3.7.

In Japan, with its high vacancy-to-unemployment ratio, active intervention essentially centres on bringing unemployed people together with vacancies. The main regular intervention is monthly placement counselling, at signing-on time. After counselling, the officer puts a cross on the back of the benefit card to indicate that counselling has taken place. The counselling officer has records of previous visits to the PES office, and can ask about the outcome of earlier job applications and discuss future placement possibilities or, in a few cases, training. Counselling interviews are typically quite short (about ten minutes). Early on in the unemployment spell, the counsellor and unemployed person should draw up a job replacement plan.

Local offices in Norway have considerable freedom to decide how to help and encourage unemployed people into work, but with the increasing levels of unemployment, more centralised guidelines have been introduced. In the first quarter of 1991, all registered job-seekers were called in for an interview. It was expected that those remaining on the register would in most cases be interviewed two or three times in 1991, and it is intended that interviews at three-month intervals will become regular procedure. Interviews last from ten minutes to an hour, and as far as possible offer alternative activities and job vacancies. In the first wave in early 1991, 6 per cent of persons called for an interview went off the register because they failed to appear or were disqualified for some reason. As in other countries which have had similar experiences, it is suspected that non-appearance at the interview may indicate that the person was in work of some kind, but there is no definite evidence of this and it is likely that many people concerned would have left the labour force in any case. Apart from scheduled and unscheduled interviews, most active measures take the form of education, training and temporary jobs which take the person concerned out of unemployment. Although training courses are popular, there have been some problems of drop-out after entry into training, and three- and four-day “motivation” courses to precede training have been set up for the long-term unemployed.

In Spain, considerable emphasis is put on the initial structured classification interview. This takes about 20 minutes to complete, and it should record the client’s capabilities in an objective way, so that the information can be coded and entered into computer records for later job-matching. A change in procedures to allow the classification technician to attempt placement immediately at the initial interview is currently under consideration. After the initial interview, intervention beyond the regular three-month signing-on for benefit is quite limited: when suitable vacancies or possibilities of training come up, the client can be called in or informed by mail. However Spain, like Norway, has recently introduced a new procedure of follow-up interviews which have begun with clients registered for over a year. These interviews encourage clients to explore possibilities of finding jobs on their own, since the PES acknowledges that the majority of hirings take place in this way. Job-seekers in need of special advice are offered three-day job-search courses, in groups of fifteen participants, given by the staff in local offices. Goya office in Madrid also has an area where skill tests for some common occupations such as typing can be conducted. In general, though, much of the policy thrust is on creating training places, and giving incentives to private-sector employers to provide occupational training.

In the United Kingdom, following a period of minimal intervention in the early 1980s, early experiences with programmed interviews demonstrated that this activity could help reduce public expenditure, because even quite low levels of contact with unemployed people caused

Table 3.7. PES interventions during an unemployment spell

	Japan	Norway	Spain	United Kingdom
Counselling interview at time of signing-on for benefits	5/10-minute placement counselling interviews are required prior to processing of claim renewal in many cases	Benefit claims can be renewed by post. But many claimants come in person and use services	A limited proportion of claimants are interviewed at signing-on time, which is at 3-month intervals	Now being introduced to some extent
Counselling interview at other times	Mailing of vacancy lists, calls to interview at discretion of local office staff	At discretion of local office staff . Regular 3-monthly interviews are currently being introduced	PES can call to interview, not often done. Recently all long-term unemployed have been interviewed once	3rd month of unemployment and 6th month, and every 6 months thereafter
Short PES motivation/ job-search/ training courses	None	Some 3-4 day “motivation” courses preceding entry to training	Some job-search courses	Jobclubs, Restart courses, and some other forms (see Tables 3.8 and 3.9)
Numerical impact		Slight	Slight	Quite high
Economic incentives		None additional to benefit	None additional to benefit	Transport costs only paid in addition to benefit
Control over access		Controlled by PES, voluntary entry	Controlled by PES, voluntary entry	PES control, voluntary entry except at 2 years of unemployment when the Restart Course is compulsory
Longer-term retraining courses and temporary jobs	Training in Skill Acquisition Centres	Labour market training and “Work for Welfare”	PES training courses, public sector jobs, private sector training/work practice contracts	Employment Training. Employment Action (job creation) is being introduced.
Numerical impact	Slight	High for training. “Work for Welfare” places are generally available for benefit exhaustees but are restricted otherwise	Considerable for PES training and public job creation, high for private sector training/work practice contracts	Considerable for Employment Training
Economic incentives	Benefit extension; plus a skill acquisition allowance for specific groups (war orphans, etc.)	Benefit continues during labour market training, normal hourly wage for 4/5 of normal week in “Work for Welfare”	Grants for PES training, or benefit continuation if this is higher. Public/private sector jobs offer a normal wage	Employment Training and Employment Action participants receive benefit plus £10 per week, plus transport costs
Control over access	Controlled by PES. No restrictions on duration in unemployment. Candidates must sign an undertaking of commitment to the course	PES controls access to training, entry is voluntary for all unemployed. “Work for Welfare”, PES and local authorities jointly control entry; entry can be compulsory for the long-term unemployed	PES controls access to PES training, which tends to be for long-term unemployed, but not public or private sector jobs or work experience/training contracts, which are open to all	Entry to both Employment Training and Employment Action is controlled by the independent provider, subject to guidelines that entrants should be long-term unemployed (over 6 months) with some derogations

Table 3.8. Programming of contacts during an unemployment spell, United Kingdom

Event	Duration in unemployment	Annual throughput	Employment Service action	Person to contact
Walk-in	Day 1	4.5 million	Appointment booked. Basic check of entitlement, some claims deflected. Benefit forms issued	Receptionist
Appointment	Day 1-6	4 million	Benefit claim taken , explain the “benefit contract ” ^a and agree “Back to work plan”	New Client Adviser (NCA)
Sign on	Day 7-14 and every 2 weeks thereafter			Signing clerk
Payment	Day 14-21 Week 11 Week 13	1.5 million	Payment of benefit Active signing letter Actively signed with a review of the “Back to work plan” and job-search advice. Selection for the week 15-17 interview	Benefit section Signing clerk Signing clerk
Job Review interview	Week 15-17		Check entitlement. Advise on in-work benefits*, make a new “Back to work plan”	Claimant Adviser (CA)
First Restart interview	Week 26	1 million	Review “benefit contract”. Access to main programmes ^c . In-work benefit advice. Selected claimants put on “ caseload ” ^d . New “Back to work plan”	Claimant Adviser
Seconde Restart interview	Week 52	0.4 million	As week 26	Claimant Adviser
Third Restart interview	Week 78	0.3 million	As week 26, “warning” that attendance at a Restart course could be mandatory ^e	Claimant Adviser
2-year Restart	Week 104	0.1 million	As week 26, plus mandatory attendance at one-week Restart course ^e	Claimant Adviser

Restart interviews are continued every 6 months thereafter.

- a) “Benefit contract”. indicates that the claimant’s rights and obligations under law are clearly explained.
b) “In-work benefit”. refers to Family Credit (see Annex 3.B).
c) “Access to main programmes”. programmes such as Employment Training and Jobclubs are available to persons unemployed for more than 6 months.
d) “Put on caseload”. assigned to a particular PES officer sometimes in a specialised function, who follows developments regularly.
e) Attendance at a Restart course is mandatory only when the claimant has refused all offers of a place on other programmes.
Source. Material supplied by the Employment Service.

Table 3.9. Measures designed to increase job-finding chances, United Kingdom

Measure	Brief description	Typical duration	Group covered	Annual cases	Success rate
Managed by the Employment Service					
<i>Memorandum item: placement into jobs</i>				1 400 000 ^a	
Job-search seminars	Course on job-search techniques	2 days	Unemployed for over 3 months	90 000	Job found within 5 weeks by about 50%
Job Review Workshops	Guidance on alternative careers, including analysis by computer	2 days	Unemployed for over 3 months	30 000	
Jobclub	Coaching in job-hunting techniques; facilities, support and motivation from Jobclub leader	4 x ½ days per week until job-finding but limited to about 3-4 months	Unemployed for over 6 months or others at disadvantage in the labour market	140 000 in about 1 000 Jobclubs	Job found by about 50%
Job Interview Guarantee	Guarantees the unemployed person an interview with an employer, some other facilities for job-seekers and employers	May involve only the interview with an employer, may involve a short course	As above	c.70 000, planned 100 000	Job found in about ¼ of cases
Restart Course	Discussion, motivation, information, contact with other people, exchange of experience, guided by c o m e leader	5 days	As above, but becomes compulsory after 2 years	120 000	
Managed by Training and Enterprise Councils					
Employment Training	Long-term training ranging from literacy to recognised qualifications	6 months	As above	250 000 ^a	
Business advice, enterprise allowance grants	Training, advice about how to set up business, financial support during business start-up in some cases		Most services are available to all	40 000 Enterprise Allowance ^b	

a) 1990/91.

b) 1990/91 figure: current operation is affected by reorganisation of the programme.

Source: **Various** material supplied by the Employment Service.

some benefit claims to be withdrawn. This and the fact that long-term training and (at times) temporary job-creation programmes have been managed separately from the PES have favoured in recent years the extensive development of what is here called a “scheduling and programming” PES strategy, summarised in Tables 3.8 and 3.9 and described in Annex 3.D.

2. Training for the unemployed

Training programmes targeting the unemployed exist in all four countries. A variety of institutions provide job-oriented courses lasting typically up to six months, with an average of about four months in Spain and Norway and perhaps six months in Japan and Great Britain. The quantitative role of such public programmes is greatest in Norway, and substantial in Great Britain, but rather limited in the other two countries.

In Japan and Norway any unemployed person may be eligible for training, provided that a particular course is deemed to enhance job prospects. In Spain and Great Britain, with some exceptions the programmes are reserved for the long-term unemployed (six months out of work in Great Britain). In Spain, job-seekers under 25 years old (a group favoured by the EC’s Social Fund, which supports the programme), and certain categories of rural workers, are also eligible.

Decisions to admit individuals to such programmes are taken in Japan, Norway and Spain by the PES, in Great Britain by Training and Enterprise Councils (TECs) and corresponding Scottish bodies. These units in Britain are managed mainly by local employer representatives but financed by the Department of Employment.

Once admitted, most participants will receive unemployment benefits or training allowances at a similar level for the duration of a course. In Japan this may entail an extension of the otherwise relatively short benefit periods. Britain also pays an additional ten pounds a week as an incentive. In Norway and Spain there are special, comparatively low, allowances for trainees not eligible for unemployment benefits – the largest participant group in Spain, where training is predominantly offered to persons without work experience.

In Japan, Norway and Spain there are some training centres for the unemployed set up specifically for this purpose and directly administered by the PES or another part of the labour ministry, while in the United Kingdom the Skills Training centres which used to have this status have been dismantled. Only in Japan do the publicly-owned training centres, run by the Employment Promotion Corporation under the ministry, organise as much as half the relevant courses. Elsewhere, courses are mostly organised by other bodies. The PES may subcontract training provision in the sense that it pays other bodies directly for organising specified courses. Sometimes, on the basis that the work experience element of a training programme produces some output, employers may be

willing to provide training without receiving any fee. In these cases the PES or labour ministry role is to check that the quality of the training justifies payment of subsistence allowances to the trainees. In Norway, when he or she is satisfied that the content of the course is appropriate, a PES officer may allow the person concerned to continue receiving benefit while attending a course which is open to the general public free of tuition charges, or may pay tuition fees for a private sector course. In this case the PES acts as a buyer of places on training courses but has no further role in setting up or auditing them.

Thus the supply of suitable courses in each country is only partly a result of labour market policy considerations. To the extent that the courses are planned by labour market authorities this takes place essentially at regional level, though some nation-wide priorities may exist such as the need to relieve certain skill shortages. At regional level the provision of courses is typically a matter for consultation with employer and employee organisations. In Spain, such procedures concern not only the INEM’s own training centres, but also many “collaborating” training providers.

In the three European countries a significant part of the training may take place in schools or vocational colleges run by education authorities. Curricula may be more compact than those used for example in ordinary upper-secondary courses, though in Norway it is possible in some cases to obtain training allowances from the PES for participation in courses which last much longer than six months. Little is known about the extent to which courses are specially adapted for the needs of the unemployed.

Evaluation results are scarce, but available information about job placements after training suggest that the average success is modest when unemployment is high. According to official estimates, the proportion of ex-trainees obtaining work after training is currently below 50 per cent in Norway and Great Britain, but somewhat better in Japan. In both European countries a better result was achieved a few years ago when the labour market was more favourable. In Great Britain, the proportion of trainees subsequently hired by enterprises involved in the training is insignificant, in spite of the employer involvement in TECs.

3. Private sector employment promotion

While the argument that a subsidy to employment may be enough to get some low-productivity workers into work is simple, the detailed design of employment promotion schemes raises several issues. Should subsidies be paid to the employer or the employee? In a simple economic model where some unemployment arises because benefits out of work exceed potential earnings, either type of subsidy can be used. Should subsidies be permanent or temporary? In practice, most are temporary. If on-the-job work experience is a valid alternative

(or a vital complement) to training, or if employers only want experienced workers, targeted temporary subsidies may be a stepping stone to permanent employment. Should subsidies aim to prevent redundancies, or promote reintegration of those already unemployed? Should subsidies be linked to the content of work, for example to the provision of training?

In Japan, several measures of employment promotion are important. The lump-sum Re-employment Bonus is a form of employment promotion by subsidy to the employee, as described in Annex 3.A. The Employment Adjustment Subsidy is paid to employers who intend, without resorting to dismissals, to adopt as employment adjustment measures *i)* temporary lay-offs *ii)* in-firm vocational education and training and *iii)* temporary transfer of workers to other businesses. The subsidy covers one-half to two-thirds of the costs on a short-term basis. Longer-term adjustment is provided through the Subsidy for Industrial Employment Stabilization, which provides wage assistance for job transfer, placement services for new employment, and specific subsidies to employers who maintain employment levels through a change in business operations, and pays expenses for workers who change jobs. These subsidies are restricted to employers in industries that are "depressed", i.e. have undergone a 10 per cent fall in output or employment as revealed by industry employment statistics. Employer entitlement is never automatic: the firm must satisfy the

PES that it has a realistic plan that will lead to stable permanent employment for the affected workers²⁰. Both subsidies are financed by a **0.35** per cent payroll levy, paid by employers. In recent years, owing to the favourable state of the Japanese economy, funds have been underspent. Japan also has a system of person-targeted wage assistance called the Subsidy for Employment Development for Specified Job Applicants. Through this scheme, older workers (aged **45** to 64) who have lost employment in depressed industries are provided with a pocket-book, which entitles them to enhanced counselling and vocational guidance, and entitles hiring employers to a wage subsidy.

In Norway, wage subsidies are a long-standing measure. The subsidy usually pays **50** per cent of the wage for three or six months when unemployed people are hired from five target groups: youth, women, the long-term unemployed, the disabled and refugees. However, some difficulties have developed because employers have come to consider the subsidies as a right when hiring an unemployed person, and often do not want to take the person on for more than a limited period. The PES has recently tightened up its practices to ensure that subsidised hirings, to the extent possible, involve permanent contracts unless the work content justifies a fixed term.

The background to Spain's 1984 employment legislation has already been explained in Section B, and

Table 3.10. Registration of contracts associated with employment promotion programmes, Spain, 1984 to 1990

	Employment contracts registered-								Benefit capitalisations
	For employment promotion							Self-employment	
	Total	Without subsidy			With subsidy ^b				Public sector
		Private sector	Public sector	Self-employment					
^c	Total ^d	Temporary ^e	Part-time	Total ^f	Work practice ^g	Training ^h	Total ⁱ	^j	
1984	1 814 067	283 402	235 368	47 665	48 297	14 002	27 410	100 559	—
1985	2 557 008	557 002	432 175	121 905	228 866	51 766	112 736	270 171	14 024
1986	3 007 699	716 312	536 594	177 449	365 485	86 676	161 121	309 307	59 240
1987	3 438 792	889 145	666 577	220 846	478 942	128 187	218 229	292 899	64 192
1988	3 711 889	1 154 162	862 400	289 395	541 072	170 226	263 606	287 146	74 827
1989	4 326 539	1 457 538	1 100 371	354 693	568 145	222 437	331 558	259 886	82 097
1990	5 158 800	1 579 495	1 169 662	409 833	525 179	210 128	302 240	209 397	76 451

Table 3.10 gives more details about the results. All hirings under the forms of temporary contracts newly created by the 1984 legislation are counted as employment promotion measures. Registrations of such contracts rose very rapidly through to 1989, when they reached nearly half of all contracts registered (others are permanent contracts and the forms of fixed-duration contract recognised before 1984). Within the total of employment promotion contracts, about one-quarter are subsidised by exemption from employers' social security contributions. To qualify for subsidy, employers must offer workers either training or work experience. Thus, subsidised contracts promote not only employment but also skill formation. The Labour Inspectorate has to undertake considerable work in this area, since investigation sometimes reveals that workers employed on training contracts are not receiving training, or that workers whose contracts feature work experience related to their educational qualifications are in fact employed on unrelated activities.

In the United Kingdom, there was until recently a Jobstart subsidy that paid £20 per week for six months to a long-term unemployed person who took a job at a gross wage below £90 per week. This was taken up by less than 20 000 people a year: two reasons for its low appeal may be that the wage threshold was low in relation to average earnings, and that it was often not paid until after five weeks or more in employment. There are no other direct subsidies targeted specifically on unemployed people entering regular employment. But more important is Family Credit, described in Annex 3.B. This is paid to people in employment without any conditions placed on previous unemployment, but one of its main aims is to promote employment by increasing net income in work relative to the level of Income Support that can be received during unemployment.

4 The creation of temporary jobs in the public sector

The role of publicly-created temporary jobs may be, in varying measures, to maintain the flow of vacancies at PES local offices when the private sector economy is in recession; to help in testing willingness-to-work through facilitating direct job offers; to provide workers with income after termination of insurance benefits, and if all else fails give them an employment record which requalifies them for further benefits; and to make employment possible for some groups which are particularly difficult to place in the private sector. Another aim is that the work carried out on job-creation schemes should not compete with existing jobs, yet should be socially useful.

In Japan, it has long been held that creation of public sector employment for the unemployed is impractical in a society where the lifetime employment model is the norm to which most workers aspire. Earlier attempts to provide temporary employment for workers made redundant through the closure of military bases and coal mines have turned out to be very difficult to terminate.

Norway's Work for Welfare programme is the most important job-creation measure among the review countries, even if it remains smaller in terms of spending and entrant numbers than Norway's training programmes. The duration of the subsidised employment is six to ten months. The employment projects are mainly managed by local authorities, and recruitment is through the local PES offices. The work proposed, often the renovation of public buildings or local environment improvements, should be additional to regularly budgeted activities. The local authority benefits from a substantial wage subsidy and contributions to material and running costs. However, unions of municipal employees have some reservations about the scheme. Most Work for Welfare places have been offered to the long-term unemployed and especially those who exhaust their 80-week entitlement to benefit. Local authorities' responsibilities for financing welfare payments to insurance benefit exhaustees have given them an additional incentive to create jobs at this point, although this incentive is being removed this year with the guarantee that unemployment benefits will be extended in cases where no job offer can be made.

Work for Welfare jobs pay wages at the bottom of the regular hourly wage scale, for four days a week. One condition for recruitment is that the other 20 per cent of working time should be devoted to job-search activity. However, the allocation of one day per week to job-search did not work well, and indeed, participants could feel after the first week that there were no more vacancies to be sought. An alternative of sending people for a one-week course every five weeks has also been difficult to organise.

In Spain, as shown in Table 3.10, 210 000 people were hired in 1990 under conventions (*convenios*) between INEM and the public sector. These conventions involve partial subsidisation by INEM of works of public and social interest carried out by local corporations either with workers hired directly or by contracting with private enterprises. In the former case 75 per cent of all hirings must be of former unemployed, in the latter case the minimum share is 50 per cent. There is no guarantee of a place for particular groups of unemployed, nor restrictions to particular categories such as the long-term unemployed. Over half of all hirings are in the construction sector. This leads to a considerable sex imbalance – only about 20 per cent of hirings relate to women – and also raises questions about whether the measures are effectively targeted, since the private sector construction industry in Spain is already suffering from acute labour shortage. The decline in the number of jobs created under *convenios*, from a peak of 310 000 in 1986, may reflect this tension. Outside this framework, in Andalusia and Extremadura, unemployed agricultural workers can be hired on works of public utility financed by the State, the autonomous regions and the INEM budget. Another small measure, social collaboration (*colaboración social*) in 1990 created 8 600 jobs in works of social interest. For this measure INEM continues to pay unemployment benefits, while the branch of public administration managing

the work concerned pays the difference needed to bring wages up to normal levels.

The United Kingdom, after a period without any job-creation scheme, has just started (in October 1991) a new programme called "Employment Action" to provide those unemployed six months or more and aged 18 to 59 with work of benefit to the community which could not be carried out by any other means. As in the Norwegian Work for Welfare scheme, Employment Action will allow time during the working week for people to get instruction and practice in job-search techniques. However, persons taking part in the scheme will be paid benefit plus £10 per week and travel costs, rather than a fixed wage. It is expected that it will provide up to 90 000 places over the first 18 months, which implies a greater inflow than most other activities run by the TECs and the PES, except for Youth Training and Employment Training.

G. QUESTIONS, IMPLICATIONS AND CONCLUSIONS

One aim of this chapter has been to illustrate the range of PES tasks and work methods, even at the cost of giving a compressed treatment of individual topics. Management strategies may put the emphasis on internal efficiency and computerisation, on filling vacancies through open files and publicity, on coding vacancies and job-seekers to occupations, on offering personal advice and occupational guidance to job-seekers, on referring them to vacant jobs or training, on linking benefits to willingness-to-work and suppressing benefit fraud, on paying benefits rapidly, managing training programmes, giving special help to the disabled, visiting local employers, helping adjustment in declining industries and campaigning to change employer practices. To get the balance right, a general philosophy and a well-informed assessment of what the PES is doing and can do in each of these areas are needed.

Should the PES aim to bring marginally attached groups into the labour force? PES training courses in Spain may have encouraged married women to join the labour force, albeit initially as registered unemployed. Should the PES aspire to improving the efficiency of the labour market as a whole? While providing job-broking services free of charge, the PES should recognise that its impact will remain limited – even with a technically impressive system for nation-wide search across vacancies and job-seekers. Whenever employers for some reason are reluctant to use the PES, they seem to find advertising a cheap and effective alternative. Norway and Spain, each with a legal PES monopoly and having some device for covering all vacancies in the economy (in Norway by registering them from newspapers, in Spain by registering vacancies at the time of hiring), probably

have relatively low PES shares in hirings. The United Kingdom, perhaps helped by its relatively dense network of Jobcentres in prominent high street sites – but without any form of PES monopoly in law – seems to be achieving a higher PES share.

Should the PES concentrate on reducing unemployment? Despite the high market share achieved by Jobcentres in job-broking work, the United Kingdom in the 1980s came to doubt whether the PES was keeping the unemployed in touch with the labour market. Additional services are now concentrated on the registered unemployed, who are benefit claimants. One problem with this type of strategy is that any measures which encourage placement of the hard-to-place unemployed may give the PES a poor image, with the general public and with employers, as an "unemployment office". The PES should counteract this through continual efforts at raising institutional efficiency, making offices attractive, and providing client-oriented services. To the extent that there is a trade-off between market share and placement of the unemployed, the PES should probably maintain a balance between them rather than concentrating on one at the expense of the other.

Are unemployment benefit rules adapted to the needs of labour market and more specifically those of the PES? Since rules usually change infrequently and after national political debate, the PES often has to accept that its influence is limited and live with existing rules. In each of the European review countries, there has been a long-term trend for adaptations of pre-existing arrangements either to reduce incentives for work, or to extend PES coverage to groups which are hard to place. In Norway, increases in long-term unemployment have been repeatedly met by extending the potential duration of insurance benefits, which has changed in the last 20 years from one of the shortest to one of the longest among OECD Member countries. In Spain, insurance benefits were historically a form of compensation, with very high after-tax replacement rates at the beginning of a spell, for workers affected by plant closures. High replacement rates had limited impact when claims were only possible following authorisation of redundancies by labour courts, but the explosive growth in temporary contract employment during the 1980s has greatly weakened this restriction. In the United Kingdom, the assistance benefit Income Support originally played only a minor role as an unemployment benefit, but now about three-quarters of the unemployed have only this means-tested benefit. Consequently, in comparison with other countries the PES has extended responsibility for benefit entitlements which have little connection with the labour market in terms of a previous earnings or recent employment record. On the other hand, benefit rules in Japan facilitate PES work in certain ways. Insurance benefits have a limited duration, and since Public Assistance is hard to get on grounds of unemployment, the approaching termination of insurance benefit often gives a strong incentive to find work. Lump-sum forms of benefit cover special cases (older and seasonal workers) where the PES placements are

likely to be only in short-term jobs, and through the Re-employment Bonus a fraction of benefit spending is used directly to improve work incentives. This is part of the background which has allowed the Japanese PES to focus its active intervention efforts largely on job-brok-ing services and employment counselling.

Given the entitlement rules, how should the PES administer benefits? It should try to pay benefits efficiently and rapidly. But how far can it actively restrict benefits to people who are really willing to enter work? In this area, formal legislation may have less impact than administrative practices. The PES can try to use job offers (and training or temporary job-creation places) to check whether people are really available for work and willing to work in the kind of jobs that actually exist, and then stop benefits if they are not. However, while the PES has powers to oblige unemployed people to apply for apparently suitable jobs, it cannot easily oblige them to apply enthusiastically and it cannot afford to send unenthusiastic candidates to apply for vacant jobs – and benefit control remains a stressful area of work. Incentives for the employers and PES staff who administer the benefits, as well as for the benefit recipients, are important determinants of the way that rules are applied. If, for an employer, reporting that an employee has left voluntarily is a burden with no reward, or if procedures are such that an employment officer has to spend much time and effort to implement a benefit termination in the face of what seems deliberately obstructive behaviour, or if employment officers are less loyal to national management than to their local community – which favours eased access to central government money – then legal limitations to benefit coverage may become ineffective. The time-series for benefit disqualifications in both Norway and the United Kingdom indicate periods where sanctions on particular grounds became steadily less frequently applied, followed eventually by relatively sudden revivals of attention at the management or political level. Management should try to stay aware of the real application of benefit eligibility rules, and to maintain norms on a steady and continuous basis.

Perhaps as an alternative to trying to reduce unemployment by tight benefit administration, the PES may try to use various forms of help and persuasion. The “Restart” programme in the United Kingdom from about 1986 onwards has sometimes been interpreted as a measure tightening benefit administration, but in fact figures show that temporary stops of benefits on grounds of refusing to accept work or failing to seek work actively remain rare. This may be a weakness in the long term, for emphasizing to people their legal obligations to seek work without action when the person remains uninterested in proposed measures (which occurs frequently) may tend to undermine respect for the PES and the legislation itself. But the United Kingdom has so far had considerable success with its “scheduling and programming” strategy of interviews designed to ensure contact with benefit claimants and to offer information and help.

If unemployment is seen as being due above all to mismatch between skilled jobs and unskilled workers and to a complete lack of jobs for some inexperienced workers, the PES strategy may concentrate not on job-brok-ing or benefit administration but on training the unemployed and creating temporary jobs. Training may involve some of the same tensions as placement work – unemployed people may be poorly motivated or qualified to enter training, and training providers may be reluctant to take such unemployed – but where the alternative is prolonged inactivity the PES may be right to insist on participation. The greatest concern is, however, to make the content of the programmes effective. Training that is “taught” in a school environment can lose its relevance, and in temporary work programmes it may be difficult to keep conditions similar to those in market jobs and encourage the search for a market job.

The PES in Spain, faced with very high unemployment, puts much of its efforts into training. It also administers subsidised private sector contracts which offer training and work experience. It registers even larger numbers of unsubsidised temporary contracts, for which it has most often not played any job-brok-ing role but which is an employment promotion measure. Thus, the PES spends much of its time administering the provisions of Spain’s broad labour market strategy, and achieves relatively few placements into unsubsidised jobs. The emphasis on promoting training has helped to raise skills in the Spanish labour force, and the laws allowing many forms of temporary contract have contributed to overall employment growth. As structural change in the Spanish labour market continues, it will be important for general policy to reduce labour market duality, where an overprotected permanent employment sector contrasts with prolonged instability for large numbers of younger workers. The PES may need to develop its job-brok-ing role and its strategy of intervention during long unemployment spells.

Reflection on the range of possible PES services often indicates that each service is needed but that there are limits to what the PES can achieve. Estimation of the costs and benefits of each activity is only one step in forming an overall strategy, for the unmeasurable effects of policy – for example on the image that PES has with employers, or on the public expectation that benefit recipients should search actively – also need to be taken into account. Finally, it should be noted that problems, such as delays in paying benefits or training which lacks relevance to work practice, are often remarked when they arise, not on the more frequent occasions when they do not arise! Such problems are continuously being contained, while achievements such as job placements are being repeated. The success of the public employment service depends not only on its broad national policy, but also on the common sense and combined individual efforts of its thousands of staff handling very varied personal situations.

Annex 3.A

JAPAN'S RE-EMPLOYMENT BONUS

Re-employment Bonus is paid when beneficiaries start a new job within the first half of their benefit entitlement period. Depending on the original benefit entitlement and the timing of the start in the new job, the bonus is equivalent to between one-third and two-thirds of the capitalised value of the remaining benefit entitlement. For example, when the original entitlement to benefit is 90 days, as long as fewer than 45 days have actually been paid, a bonus equivalent to 30 days of benefit can be paid as a lump sum upon finding work. During the first half of the benefit entitlement period, this sharply reduces any disincentive to job-search that benefit entitlement might otherwise represent.

Because of the large sums of money involved (the average payment in Tochigi in 1990 was 285 000 yen, over US\$ 2 000) there may be a risk that the Re-employment Bonus will distort behaviour. It may be that workers who have built up a sufficient record of insurance contributions, and who have no difficulty in finding work, are tempted by the possibility of arranging to be laid off, with the intention of restarting work soon afterwards so as to collect the Re-employment Bonus. One special provision that limits the possibilities for this type of abusive exploitation is that workers can claim the Re-employment Bonus only once in any three-year period. A second special provision relates to the cause of entry into unemployment. Immediate payment of insurance benefit is limited to workers who were laid off for reasons beyond their control; Annex 3.C suggests that this condition is implemented reliably. In the case of voluntary quit, the start of regular benefit payments is postponed for three months. During the postponement period (as well as the first half of the entitlement period, thus during at least four and a half months in all) Re-employment Bonus can be paid, but during the first two months of the postponement period only jobs found through the PES qualify. Thus, it is relatively difficult for a worker who arranges his or her new job before quitting the old one to claim the Re-employment Bonus, because the employer in such cases would not normally notify the vacancy to the PES; if he did so he would risk detection.

Owing to the detailed provision described above, one side-effect of the Re-employment Bonus may be to create an indirect incentive for employers to register their vacancies. An employer who does not notify jobs to the PES may occasionally learn that the worker hired has lost a large sum of money because the hiring was not through the PES; conversely, an employer who notifies vacancies to the PES may find some applicants from the PES particularly enthusiastic to start.

In the Japanese system of unemployment insurance before 1975, the Outfitting Allowance (the term "outfitting" refers to the costs of starting a new job) played a role similar to that of the current Re-employment Bonus. Payments of the Outfitting Allowance expanded rapidly from about 1967/68 onwards, and under boom conditions in 1973 actually exceeded payments of the basic allowance (regular benefits) in cash terms (in statistics for Tochigi prefecture). The Outfitting Allowance was criticised on the grounds of its distributional consequences, because it was paid to workers with good employment prospects (the skilled, workers in high-employment areas, etc.) more often than to those with the greatest labour market difficulties. In the major reform of 1975, the Outfitting Allowance was substantially reformed by restricting it to special cases such as older, handicapped and seasonal workers, and to a fixed rate equivalent to 30 days of regular benefit. However, with the introduction of the Re-employment Bonus in 1985, that type of benefit again became available to regular workers. The Japanese administration has taken the view that the merits of such a job-finding bonus, in creating an additional incentive to take work, are enough to justify the expense.

In countries where regular benefits have long or indefinite duration, a bonus which pays an unemployed person his or her remaining benefit entitlement is impractical; a fixed bonus similar to Japan's current Outfitting Allowance is possible, but is perhaps less likely to be a major element in the employment decision.

Annex 3.B

BENEFITS FOR WORKERS WITH A JOB

Partial unemployment occurs when workers have a job but are involuntarily employed less than full-time. Short-time working, where the person continues to be employed with the same employer but with temporarily reduced working hours (normally because of a shortage of demand) can be distinguished from involuntary part-time working, where a person works in a job which is part-time in nature, but continues to search for a full-time job.

In countries with no minimum waiting period for benefit claims, and where workers can claim benefit for unemployment periods as short as one or two days, workers may use regular unemployment insurance benefits if their employer reduces working time to three or four days a week due to slack demand. Among the review countries, Norway and the United Kingdom have minimum waiting periods of three days and Japan a minimum of seven days. Norway, Spain and the United Kingdom all have systems of benefit for persons in short-time work. In Spain, employers can only put employees who have a full-time contract onto short-time work with approval of the Labour Authority; and the number of cases involved fell throughout the latter 1980s, and by 1990 was rather small.

In some countries, an unemployed person who finds part-time work with earnings below a certain lower limit is allowed to continue receiving unemployment benefit, but above this limit any additional earnings are taken off the benefit. Thus, net income does not increase until earnings have risen above the benefit level. In Norway and Spain, however, insurance benefits for people who enter part-time work and continue to seek full-time work are reduced in proportion to hours worked. In Norway, this provision applies when part-time work involves a minimum of 20 per cent of normal hours, in which case 80 per cent of full unemployment benefit can be retained. In 1991, there were an average of 71 000 wholly unemployed and 55 000 part-time employed with benefits; since 1985 this represents a 50 per cent increase for the wholly unemployed, while cases of benefit paid to the partially employed have more than quadrupled. Possible changes to legislation, to promote active job-search among part-time employed claimants, are under consideration.

In the United Kingdom, since Income Support is an assistance benefit related to family size, most cases where Income Support exceeds after-tax earnings from a low-paid job arise in families. Family Credit is an in-work benefit designed to solve this problem. It is not an unemployment benefit since no requirement of earlier unemployment or availability for full-time work is involved. However, the entitlement rules for Family Credit mirror the rules for Income Support in such a way that persons eligible for Family Credit are normally financially better off in a job, even at a low wage, than they would be remaining unemployed. Entitlement to Family Credit is

restricted to persons working over 24 hours a week on average (reduced to 16 hours from April 1992). The benefit paid is related to earnings, and since it is withdrawn at a marginal rate of 70 per cent with respect to net earnings it is paid only when earnings are low or when one wage is supporting a large family. There were around 350 000 families receiving Family Credit in mid-1991, and the reduction in required weekly hours of work makes about 65 000 more families eligible (these figures compare with total employment of about 26 million). Extensive publicity campaigns aim to increase the proportion of eligible families that actually claim the benefit.

Family Credit payments, once assessed, are paid at the same rate for six months regardless of any subsequent change in circumstances (although in the case of re-entry into unemployment, the payments lead to a reduction in any Income Support). Until recently, for first claims details of earnings had to be confirmed by the employer directly, but from April 1992 pay-slips will be accepted as evidence of earnings in all cases. Self-employed people can also claim on the basis of details of actual receipts and expenses over the 26 weeks immediately preceding the date of the claim or the period covered by their latest accounts (often the tax year). These procedures may not always ensure that benefit is in line with current circumstances, however. About 40 per cent of the current caseload are new claims, i.e. have existed for less than six months, which suggests that spells of receipt as long as several years may not be very common.

Analysis of the likely consequences for employment patterns of these benefits paid to people with a job is complex. Norway and the United Kingdom are examples of two very different approaches. Taking the existence of benefits for wholly unemployed workers as given, both systems encourage people who would otherwise remain unemployed to take work of some kind. Yet both systems may also encourage people who would otherwise work full-time to work part-time. The United Kingdom's Family Credit facilitates PES administration because it makes it easier to assure unemployed workers that they will be better off in work than on benefit, and once work has started the PES is no longer expected to find another job or implement availability checks. The Norwegian system does not ensure that unemployed people will always be better off in work (a person taking a job with hourly earnings below the replacement rate of 63 per cent of former earnings will still be worse off than when wholly unemployed), and once part-time work has started it leaves the PES with the difficult task of proposing attractive full-time work to, or perhaps forcing full-time work on to, persons who already have a part-time job with almost the same total net income that they would have in a full-time job.

BENEFITS AND VOLUNTARY JOB LEAVING

Japan has underlying labour market characteristics which favour a high incidence of quitting among job separations. Quits are a procyclical variable and the ratio of vacancies to unemployment in 1990 was high relative to recent experience and to other review countries. In addition, Japanese firms value highly the reputation that they can guarantee stable employment, and generally make great efforts to avoid declaring involuntary lay-offs. Various labour market statistics confirm the high incidence of voluntary quit in Japan, but also indicate that the incidence of voluntary quit among job separations in Norway and the United Kingdom probably remains significant. In 1988, the percentage of unemployed persons with recent work experience who reported that they quit their former job was 56 per cent in Japan, 48 per cent in the United Kingdom, and about 30 per cent in both Sweden and Denmark [from OECD (1990, Table 2.4) – figures for Norway itself are not given]. As reported by employers, the incidence of voluntary quit tends to be higher. In Japan in 1989 over 80 per cent of job separations were initiated by employees (Survey on Employment Trends in the *Japan Yearbook of Labour Statistics 1989*) while for manufacturing, in the early 1980s the incidence of quit was from 60 to 80 per cent in Austria, Italy, Sweden and, if lay-offs followed by recall are excluded from the total, in the United States [OECD (1986, Table II-4)].

Such figures can be compared with assessments of voluntary quit by national benefit administrations, shown in Table 3.5. In Japan, about 70 per cent of new claims are assessed as following voluntary quit, which seems roughly in line with the independent indicators cited above. At the level of administration, Japan has an effective mechanism for giving the firm's view about the causes of a job separation an impact on the unemployment benefit situation. To initiate claims to unemployment insurance, the unemployed person supported by the PES must get the former employer to fill in a "job-leaving certificate", and in this the employer has to specify whether the separation was at the wish of the employer or that of the employee.

In the United Kingdom, by contrast, claims to insurance benefit can be initiated with a simple declaration of the state of involuntary unemployment by the unemployed person to the PES. A PES officer who suspects that entry to unemployment was voluntary has to hold up benefit payment and send a form letter to the employer. This involves additional administrative work as well as a delay of benefit payment which may turn out to be unjustified, and if the employer does not respond to mail after a while the benefit is restored. A second factor reducing the incidence of benefit disqualifications in the United Kingdom as compared with Japan is that voluntary quit is assessed not only from the point of view of the employer but also from that of the employee: SCPR (1990, p. 32) cites cases of successful

appeal against disqualification after a woman left work to have a baby and a man left work to look after his wife. These two factors may help explain why benefit assessments of voluntary quit in the United Kingdom seem much lower than suggested by other indicators.

However, such factors do not seem to be the explanation of the even lower assessed incidence of voluntary quit in Norway, for national directives indicate that a statement by the former employer of the cause of job separation must always be on file in the local office before the benefit claim can start. In some countries, perhaps citing a change in working conditions, employees sometimes "ask to be made redundant" (this makes sense when job separation is a formalized process, e.g. a formal letter from either the employer or the employee is needed to bring the employment contract to an end), and possibly this sometimes happens in Norway.

The benefit penalty following a voluntary quit differs between the three countries. In Japan, benefits are usually denied for the first three months of a claim. However, the benefit entitlement is postponed for three months rather than lost, and claimants remain eligible for the Re-employment Bonus (subject to restrictions described in Annex 3.A). In the United Kingdom, benefit is lost, not postponed, and the maximum disqualification period is six months (26 weeks), a sharp increase over the period prior to 1986 of **six** weeks. A sample survey of disqualification decisions made in early 1989 found that 21 per cent of disqualifications were for 1-13 weeks, 15 per cent for 14-25 weeks, and **64** per cent for the maximum period of 26 weeks [Department of Social Security (1989)]. In Norway the period of disqualification is relatively short, normally eight weeks, rising to 12 weeks in repetitive cases. In Norway and the United Kingdom, social assistance benefits at a reduced rate may often be available during disqualification periods.

In Spain a voluntary quit involves total disqualification and the situation cannot be analysed analogously to the other three review countries. Benefit claims can only be considered when the entry to unemployment occurs through certain legally-recognised routes, so there are no administrative statistics for assessments of voluntary quit (although claims may be registered following authorisation for the employer to change the terms of the employment contract or a legal judgement that the employer has broken the terms of the contract, for example by ceasing to pay wages). However, the impact of this provision has now diminished because, following the 1984 legislation, termination of a temporary contract has become the principal route of entry into unemployment: OECD (1990, Table 2.4) shows that in 1988 this was more common than dismissal, redundancy, early retirement and voluntary leaving combined.

Following the end of a temporary contract the employee is normally entitled to benefits. Thus, workers who in other countries would have entered unemployment directly via a voluntary quit in Spain have a strong incentive to move from a permanent job to a temporary one before entering unemployment. One indication that this may be happening is that 38 per cent of workers entering temporary jobs in a particular quarter were

employed in a permanent job in the previous quarter [Alba-Ramírez (1991)], so that entry into a job known to be temporary seems often to be voluntary. For all countries, to the extent that employment is on temporary contract or through a dispatching (temporary work) agency, the conventional distinction between voluntary and involuntary job separations must be difficult to apply meaningfully.

Annex 3.0

BRITAIN'S SCHEDULING AND PROGRAMMING STRATEGY

The pattern of scheduled interventions during the course of an unemployment spell in Great Britain is shown in Table 3.8. This current pattern is a fairly recent development: the "Restart" programme was introduced in 1986; the programme of reunification of benefit and placement offices at the local level was initiated in the late 1980s; a post called "New Client Adviser" was introduced in 1988; and compulsory attendance at a one-week Restart Course (for claimants who had been unemployed for more than two years and who do not agree to participate in another active measure) was introduced in 1991. Employment Department booklets explain to new clients in advance what to expect – for example, the "Just the Job" booklet explains, under the heading "Job Review": "If it takes you more than three months to find a job .. you may be offered an interview with a Claimant Adviser .. an expert on your local job market and on the benefits you can claim in work".

As Table 3.9 shows, the PES offers a range of short-duration measures which do not take people out of unemployment. These are an important part of the overall United Kingdom strategy, because they ensure that the interviews shown in Table 3.8 take place on the basis that the PES can offer the unemployed person an alternative to inactivity or unsuccessful job-search. Given limited space, this section will concentrate on describing two of the main PES programmes, Jobclubs and Restart Courses.

There are around 1 000 Jobclubs in Great Britain, with an average annual entry of about 150 people per Jobclub. About 200 are run by Employment Service staff, the other 800 by external suppliers on a two-year contract. About 120 are "supportive", for persons with particular difficulties (e.g. illiterates, ex-prisoners). The average contract with an external supplier costs £25 000 (\$US 45 000) per year, and this buys only part-time staffing. Participation typically involves four half-day sessions a week. The first two weeks of a course are structured training, covering where to look for jobs and how to apply for them (forms, CVs, interview techniques, etc.). Only after this is the unemployed person admitted into the "resource area", which has telephones, writing paper, etc. At this stage there is more support from other club members, and less from the leader. Successful leaders not only motivate Jobclub members but also keep themselves personally informed of vacancies in the local area which may not be registered. The placement-into-job rate was about 60 per cent in 1989/90, but it has fallen below 50 per cent as the recession deepened. Participation is limited to a maximum of four to six months: such a rule is necessary to prevent the clubs from becoming used more for their social than for their job-search element.

Restart Courses – in contrast to Jobclubs and other measures such as the Job Interview Guarantee which are designed for the

"job ready" – are designed for the long-term unemployed who initially are not "job ready". Long-term unemployed people may have adjusted to a low standard of living, become convinced that they will never find a job, and perhaps ceased meaningful active search. Restart Courses provide information about the range of options (Jobclubs, etc.) that exist for helping their job-search, but they also involve exercises to help people overcome perceived barriers to work, assessment of skills and experience, job-search skills, and producing an individualised plan of action leading back to work. A target size for courses is twelve participants although actual numbers may be somewhat lower or higher. The group nature of participation in Restart Courses limits costs, but it also leads to a kind of intervention that is different from one-to-one counselling. Informal discussion among participants is encouraged, and this may significantly change the atmosphere as compared with a one-to-one interview between a claimant and Claimant Adviser. The length of the course (normally five days) helps ensure a substantial break from a routine of continual unemployment punctuated by occasional interviews with PES staff.

One indicator of success for the overall strategy based around calls to interview is that in 1989, consistently more than 10 per cent of claimants who were sent a letter of invitation to attend a Restart interview stopped claiming benefits rather than attend. More recently, experience with compulsory Restart Courses has been that about 9 per cent of those scheduled for entry stop signing-on immediately. Although these drop-outs could reflect finding a new job, it seems likely that many of those who drop their benefit claim have access to other income, in which case the Income Support claims (which are means-tested) could well have been fraudulent. As well as deterring some claims completely, at least in the earlier stages the Restart programme transferred many claimants to more appropriate benefits (e.g. sickness); while this may not be an immediate improvement, it restricts PES registration to people who are actually available for work, which helps make all other interventions more effective. A second indicator is the success of individual programmes, for example the rather high proportion of Jobclub participants who (usually after at least 6 months unemployment) find work fairly quickly. Thirdly, and perhaps most importantly, labour market analysts have concluded that the Restart programme probably contributed greatly to the sharp fall in UK unemployment over 1986-1989. Layard and Philpott (1991) list as reasons: the Beveridge curve moved sharply inwards (indicating that the unemployed had become much more effective in filling vacancies); long-term unemployment fell much more than short-term unemployment; and there was rapid growth in low-earning and unskilled employment, which might be expected from a strategy which succeeds in getting the unskilled unemployed into work.

Despite successes, there are some areas where problems have arisen or may emerge with the “scheduling and programming” strategy. First, rates of non-attendance at courses such as Jobclubs, after initial agreement to participate, are high. For example, an Employment Service postal survey – “Restart Courses follow up survey” – found that although over 90 per cent of persons attending the courses had applied during the Restart Course to do something further, four to six weeks later only about half of those who had applied for Employment Training or a Jobclub place had started or were still waiting to start. Early drop-outs among people who do start courses such as Restart and Jobclubs are also fairly common. Although management guidelines indicate that such cases should be followed

up, if people are clearly not interested, which often happens, this may be unproductive. Stops of benefit have not been made for refusal to participate in courses, except sometimes recently in relation to the compulsory Restart Course mentioned above. Second, to the extent that calls to interview lead to people signing off because they have doubts about the validity of their claim or know it to be fraudulent, their impact is likely to fall as their routine nature becomes well known. In the long run, extra effort spent on determining directly which claims are valid might be a more effective strategy. Finally, the recent rapid increase in United Kingdom unemployment, though clearly mainly cyclical, probably makes the most optimistic interpretations of the early success of the Restart strategy untenable.

NOTES

1. Most of this chapter describes the activities of the Employment Service in Great Britain only, excluding Northern Ireland (which has somewhat less than 3 per cent of the United Kingdom's total labour force). However some information does refer to the United Kingdom as a whole and the distinction in this chapter may not always be made with precision.
2. In Autumn 1991 a four-member OECD Secretariat team, during one-week fact-finding tours, visited central and local offices of the public employment service (PES), the responsible central government ministry, unions and employers, and labour market researchers in the review countries. The subsequent Secretariat report has been commented upon by the countries concerned and discussed in the managing OECD Employment, Labour and Social Affairs Committee in April 1992 and revised for forthcoming publication. For Spain, this chapter reflects the situation prior to April 1992, when a decree-law with immediate effect reduced the duration of unemployment insurance benefits for persons with a short employment record, increased the minimum duration of employment promotion contracts, abolished certain subsidies and training grants, and created new subsidies for employers who offer permanent employment contracts to unemployed people from particular target groups. The Secretariat, which is very grateful to the countries concerned for their extensive help and co-operation, remains responsible for the opinions and judgements in this chapter.
3. In Japan, the monthly flow into Public Assistance on grounds of termination of unemployment benefit has during the 1980s been a very low proportion of the flow out of unemployment insurance after benefit exhaustion. Flows into Public Assistance on grounds such as disability (sometimes following unemployment insurance exhaustion) are much more significant.
4. Labour force survey figures for Spain show that by 1990, about 90 per cent of workers who had been in their current job for less than one month, over 60 per cent of employees aged 20-24, and 30 per cent of all employees, were working under a temporary contract [Alba-Ramirez (1991), Jimeno and Toharia (1991, Table 2)].
5. Statistics for registered unemployment distinguish between full unemployment and partial unemployment in a number of OECD countries. Annex 3.B discusses this distinction in relation to benefits.
6. OECD (1991, Table 7.11) briefly summarises the legal monopoly status of the PES as a labour exchange by country.
7. For a more detailed discussion of the distinction between insurance and assistance benefit and the various forms of assistance benefit, see OECD (1991).
8. In Japan, the risk of over-specialisation is reduced by regularly rotating staff between posts within an office.
9. Available estimates of the PES market share in vacancies and hirings depend heavily on the source and definitions of statistics, and the following complicating factors need to be taken into account:
 - i) Informal methods of hiring are common. Employers may have vacancies which are not publicly announced, hires can occur in the absence of a prior vacancy, and vacancies may be dropped without leading to a hire, so that vacancies are hard to identify and do not correspond exactly to hirings.
 - ii) Different actors (the PES, the employee and the employer) have somewhat different perceptions. Jobs filled through PES publicity rather than active matching may or may not be recorded as PES "placements".
 - iii) Hirings into very short-term jobs are often a considerable proportion of all hires. Some sources may record 25 hires a month for a single day labourer post while other sources (e.g. surveys of persons currently employed who were hired within the last month) record only one hire in such cases. Thus, the PES share in the flow of hirings may be fairly different from its share in routes of access to employment among persons currently employed.Because the available surveys on vacancies and hirings often differ in several of the above respects, it is hard to identify the impact of these factors precisely.
10. For Japan, a survey of employers' channels for mid-career hiring (employers could report more than one method) shows that 60 per cent used advertising, 50 per cent the PES, and 50 per cent personal relationships, while only 6 per cent used private sector agencies [*Japan Yearbook of Labour Statistics 1988*].
11. In the United Kingdom, the unusual behaviour of vacancies over 1988 to 1990 led to a sharp shift in the relationship between unemployment and vacancies (the Beveridge curve); see Chapter 2.
12. In Spain, for 1987 when the current insurance benefit structure was already in place, after-tax replacement rates in the first month of unemployment were estimated at 117 per cent for a couple with two children at an average income level and above 100 per cent for all cases examined where previous earnings were 2/3 of the average level [Commission of the European Communities (1988)]. Estimates used by INEM with the approval of the social partners (making the assumption that employment ceases halfway through the tax year) show no cases of replacement rates over 100 per cent, although some approach this.

13. When benefit sanctions are applied in the United Kingdom, the personal element of Income Support is normally reduced by 40 per cent but allowances for dependants and Housing Benefit are not affected.
14. In the United Kingdom, a combined form can be used to claim Housing Benefit at the same time as Income Support, i.e. when registering as unemployed with the PES. Beyond that point, however, Housing Benefit is administered separately by local authorities.
15. Statistics for Tochigi prefecture in Japan, which show that about 40 per cent of the stock of registered job-seekers is in current receipt of benefits, indicate that employed job-seekers and persons with no previous employment or who entered unemployment from self-employment (who thus never qualified for benefit) make up at least a third of those without benefit.
16. In the United Kingdom, over 40 per cent of the stock of registered unemployed in 1987 represented spells of over a year (Micklewright, 1990): this fell considerably through to 1990.
17. In Spain, 41 per cent of all beneficiaries in 1990 were receiving insurance benefit: the other 59 per cent, receiving unemployment assistance or health insurance benefits, represent mainly insurance exhaustees (with some exceptions, already noted).
18. In Norway, benefit suspensions are usually for eight weeks in the first instance but may be longer on a second or later suspension. In Spain, Law 8 of 1988 specifies that failure to appear when called to the PES for interview leads to a one-month loss of benefit; refusal to accept suitable work or participate in employment programmes to a six-month loss of benefit and termination on a second occurrence; non-declaration of earnings from employment or self-employment can lead to a six-month loss or termination of the benefit. United Kingdom legislation allows for benefit sanctions of up to 26 weeks, but actual sanctions may typically be shorter (as are some suspensions of benefit for voluntary quit). The sanction in the particular case of refusal to attend a one-week compulsory Restart course (see Annex 3.D) has been fixed at a one-week reduction in benefit only.
19. Layard and Philpott (1991) note that in the United Kingdom the law requiring benefit recipients to look for work, take advantage of jobs available in the area, and not refuse a reasonable offer was applied steadily less effectively after the late 1960s. They argue that this can explain why, especially after 1968, Britain's Beveridge curve shifted out (i.e. unemployment at a given level of vacancies rose) much more for men than for women: unemployed men were much more often eligible for benefits than women. Arguably active labour market policies in Sweden kept unemployment low through the 1970s and 1980s because this made it difficult for people to obtain compensation for any length of time when they were not genuinely available for employment [see OECD (1991, Chapter 7)].
20. In some OECD Member countries, employment subsidies to firms, which were initially intended as bridging measures to prevent lay-offs until cyclical recovery, came to be seen in the latter 1970s as measures preventing necessary structural adjustments.

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