Labour Market Policies and the Public Employment Service

EMPLOYMENT

OECD

OECD Proceedings

Labour Market Policies and the Public Employment Service

Prague Conference, July 2000

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original Member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971), New Zealand (29th May 1973), Mexico (18th May 1994), the Czech Republic (21st December 1995), Hungary (7th May 1996), Poland (22nd November 1996), Korea (12th December 1996), and the Slovak Republic (14th December 2000). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

Publié en français sous le titre :
POLITIQUES DU MARCHÉ DU TRAVAIL ET SERVICE PUBLIC DE L'EMPLOI

Interested parties should also be aware of a translation into Czech by the Czech Ministry of Labour and Social Affairs, and a translation into Japanese by the Japan Institute of Labour, which are under preparation

© OECD 2001
Permission to reproduce a portion of this work for non-commercial purposes or classroom use should be obtained through the Centre français d'exploitation du droit de copie (CFC), 20, rue des Grands-Augustins, 75006 Paris, France, Tel. (33-1) 44 07 47 70, Fax (33-1) 46 34 67 19, for every country except the United States. In the United States permission should be obtained through the Copyright Clearance Center, Customer Service, (508)750-8400, 222 Rosewood Drive, Danvers, MA 01923 USA, or CCC Online: http://www.copyright.com/. All other applications for permission to reproduce or translate all or part of this book should be made to OECD Publications, 2, rue André-Pascal, 75775 Paris Cedex 16, France.

FOREWORD

This book publishes papers which were originally presented to a conference on "Labour Market Policies and the Public Employment Service: Lessons from Recent Experience and Directions for the Future" held in Prague, Czech Republic, on 3-4 July 2000. The conference was organised by the OECD's Directorate for Education, Employment Labour and Social Affairs in collaboration with the Ministry of Labour and Social Affairs of the Czech Republic.

In 1990, the OECD's Employment, Labour and Social Affairs Committee set out an agenda of mobilising labour supply, developing employment-related skills, and promoting a spirit of active search, recommending that "[...] priority should be given to quick-acting market-oriented services such as guidance, and services which increase job motivation, search efforts and job readiness. If these fail, more intensive types of public intervention such as training and employment subsidies should be envisaged". One of the main themes in the 1992 OECD meeting of Labour Ministers was the need to shift public spending on labour market policies from passive to active measures. Detailed Secretariat and peer reviews of national Public Employment Services (PES) throughout the 1990s not only reinforced that general conclusion, but greatly increased knowledge of what does and does not work with respect to active labour market policies. On this basis, the Communiqué of the 1997 OECD meeting of Labour Ministers requested the Secretariat to organise a major conference which would draw policy conclusions from this work. This publication is the Secretariat's response to this mandate.

OECD reviews of Member country policies in the 1990s revealed the complexity of the issues. The Public Employment Service (PES) not only has to serve two major client groups – jobseekers and employers – but also has to consider the financial interests of the unemployment benefit fund and the broader social costs of unemployment. The PES provides services without charge and objectives and performance benchmarks for its work are defined, not without difficulty, by management and policy-makers. As one of the largest and most geographically dispersed of public institutions, the PES depends upon initiatives at local levels of the organisation throughout the country, yet a degree of accountability and central strategic control must be maintained.

OECD reviews, which attempted to observe the practical situation facing job-seekers in each country, often found situations where – even despite high spending on labour market programmes – an unemployed person might have no contact with his or her local employment office for many months. Moreover, by the end of the 1990s it had become apparent that several countries which had taken initiatives to tackle this problem, maintaining more effective contact with the long-term unemployed in particular, had experienced large falls in unemployment. For this reason, the "activation" of the unemployed was chosen as a major theme of the conference, and a number of papers discuss different aspects of this concept.

At the same time, the papers provide a glimpse into many other facets of the practical problems of management in the area of labour market policies, albeit that some of these facets could only be represented in any depth by one or two papers. The papers illustrate practices in an area where a country is particularly advanced, innovations which deserve careful consideration elsewhere, and

recent developments in strategic thinking. Particular thanks are due to national administrations, and individual officials within them, who gave their time to preparing them.

This publication was prepared by Mr. David Grubb of the OECD Secretariat. He and Mr. Stanislav Benes, of the Czech Ministry of Labour and Social Affairs, played a central role in preparing the conference, with the assistance of Mr. Douglas Lippoldt of the OECD Secretariat.

The papers in this book, with the exception of those authored by the OECD Secretariat, were prepared by independent authors, and the views expressed do not necessarily reflect those of national authorities or of the OECD and its Member countries.

This book is published on the responsibility of the Secretary-General of the OECD.

TABLE OF CONTENTS

Introduction

Summary and Conclusions by the Rapporteur 17

1. Introduction 17
2. A sea change in PES working methods 18
3. Activation through policy interventions and benefit management 21
4. More outreach through decentralisation 26
5. More cost effectiveness through contestability 28
6. Conclusions: what are the signposts for the future? 30

Bibliography 33

Labour Market Policies and the Public Employment Service: Main Characteristics and New Challenges
by the OECD Secretariat 35

1. Introduction 35
2. The job-broking function 36
3. Interventions in the unemployment spell 41
4. Intensified assistance for target groups 48
5. Labour market programmes 50
6. Resources for PES administration 53
7. The institutional structure 55
8. Conclusions 61

Bibliography 67

External Audits of the Public Employment Service in the 1990s
by the OECD Secretariat 69

1. Introduction 69
2. The United States employment service in 1991 70
3. The new public employment service in the Netherlands (1991-94) 73
4. Placement and benefit administration in Sweden 77
5. Regional placement offices and insurance funds in Switzerland 81
6. Conclusions 87

Bibliography 93

Part I
The Labour Exchange Function of the Public Employment Service

A "Model" Local Employment Office in Portugal
by António Charana and Vítor Rodrigues 97

1. The institutional framework 97
2. The characteristics of the geographic intervention area 99
3. The Job Centre's organisational and operational structure 102
4. Human resources 102
5. Operation 103
6. Employment/training measures and programmes 109
7. Managing, controlling and supervising the Job Centre's activities 109

Computer Touchscreen and Internet Job-broking Services
by Eddy Vercammen and Edy Geerts 111

1. Introduction 111
2. On-line job applications and recruitment 114
3. Tracking individual use and outcomes 121
4. The importance of partnerships 122
5. Financing and resource implications 122
6. Future prospects 123
7. The role of self-service within the overall service package 124

Marketing to Employers in the Netherlands
by Jeannette van Yperen 127

1. Introduction 127
2. Developments on the Dutch labour market 127
3. The Dutch Public Employment Service 129
4. Client groups, labour market environment and products for employers 131
5. Communication and marketing strategy towards employers 135
6. Instruments and methods supporting services for employers 137
7. Priorities for marketing strategy 2000-2001 and conclusions 139
Bibliography 140

One-Stop Statecraft: Restructuring Workforce Development Programs in the United States
by David E. Balducchi and Alison J. Pasternak 141

1. Introduction 141
2. The role of US federalism 141
3. One-stop delivery system 144
4. The Workforce Investment Act of 1998: a legal framework for the one-stop delivery system . 152
5. Summation 156
Annex: A note on market competition and labor exchange policy making 158
Bibliography 165

Part II
Unemployment Benefits and Activation Measures

Some Conflicts between Employment Policy and Social Policy in the Czech Republic
by Milan Horálek 171

1. Introduction 171
2. Economic transformation and recession 171
3. Employment structure 174
4. How unemployment was kept low in the early transformation years 174
5. The public employment service and active employment policy 175
6. Social expenditure 178
7. Unemployment and exclusion 179
8. Incentives 181
9. Priorities for economic revitalisation 184
Bibliography 186

Eligibility Criteria for Unemployment Benefits
By David Grubb 187

1. Introduction 187
2. Theoretically expected effects from benefit eligibility conditions 187
3. A brief survey of eligibility criteria 190
4. An overview of sanction provisions and statistics 192
5. Can a reasonable index for the strictness of benefit eligibility criteria be constructed? 199
6. Evidence for the impact of eligibility criteria: a brief survey 202
7. Implementation issues 206
8. Conclusions 208
Bibliography 215

Monitoring and Assisting Active Job Search
by Patricia M. Anderson 217

1. Introduction 217
2. Overview of the US unemployment insurance system 218
3. Overview of state UI laws relating to job search 218
4. Enforcement of state UI laws 219
5. UI demonstration projects and evaluations 225
6. Other job-search programs 230
7. Brief overview of Canadian programs 233
8. Conclusions 234
Bibliography 238

From Restart to the New Deal in the United Kingdom
by William Wells 241

1. Introduction 241
2. Features of the UK labour market 242
3. Developments in UK labour market policies 246
4. Success of the policies 250

5. The new welfare to work agenda 255
6. Profiling/early identification and one stop shops 259
7. Conclusion 261
Bibliography 262

The Active Labour Market Policy in Denmark
by Inge Mærkedahl 263

1. Introduction 263
2. The development of the Danish labour market policy during the 1990s 263
3. The effects of the active labour market policy 267
4. Situation year 2000: success, but still challenges ahead 273
Bibliography 274

The Activation and Qualification of Social Assistance Recipients in Oslo
par Nina Backer-Røed and Lars Mannsåker 275

1. Oslo – rich but divided 275
2. Looking back at a policy turnabout 276
3. Needing assistance or depending on assistance? 277
4. Earning your keep, national trends towards enforced work policies 278
5. The legal basis for setting the terms 279
6. In order to set terms, you must have something to offer 280
7. Are labour market reserves now mobilised? 283
8. Who are today's assistance recipients? 285
9. Further challenges 286
10. "The tiger city" 290
Bibliography 291

Activation: The Point of View of Clients and "Front line" Staff
by Dan Finn and Martin Blackmore 293

1. Policy background and methodology 293
2. Views about the work opportunities and job-search strategies available to the long-term unemployed 296
3. The nature of front-line work in the ES: the impact of performance targets 297
4. The Jobseeker's Agreement, job-search verification and sanctions 298
5. Labour market programmes 299
6. Evaluation of specific measures 300
7. Compulsion 301
8. Frustration 301
9. Evidence from official JSA evaluations 302
10. Conclusions 303
Annex: The new deals: learning the lessons 305
Bibliography 306

Part III
Design and Implementation Issues for Active Labour Market Policies

How can we Make Active Policies more Effective? The Role of Organisation, Implementation and Optimal Allocation in Active Labour Market Policy
by Jaap de Koning 311

1. Introduction 311
2. The institutional framework 312
3. What do evaluation studies tell us? 319
4. The optimal allocation of labour market spending 323
5. Active labour market policies in the light of major changes in society 327
6. Conclusions and final remarks 330
Bibliography 334

Implementation Issues in Finland: Experiences, Developments and Context of Labour Market Policy Measures
by Dr. Heikki Räisänen 337

1. Introduction and general motivation 337
2. Background in Finland 337
3. From the recession of the 1990s to the path of growth 339
4. Experiences with labour market policy measures 345
5. Labour market policy reform of 1998 348
6. Conclusions 356
Annex: Calculation of dead-weight effects for labour market training and subsidised employment 358
Bibliography 361

Part IV
Structure of the Public Employment Service

Introduction of Contestability in the Delivery of Employment Services in Australia
by Leslie Riggs..... 365

1. Executive summary 365
2. Background to the reforms 366
3. Transition to Job Network 368
4. Job Network services 368
5. The second Job Network tender 376
6. Lessons learned 378
7. Outcomes 385
8. Conclusion 389
Bibliography 392

Labour Market Policies and Employment Services in Canada: A New Collaborative Approach
by the Employment Programs Branch 393

1. Introduction 393
2. The Canadian context 393
3. Employment services and labour market measures 395
4. A new approach 398
5. Outcomes 404
6. Lessons learned 407
7. Conclusion 410
Bibliography 412

List of Tables

Introduction

Table 1. Basic PES flows, stocks and market share indicators 37
Table 2. Public expenditure on labour market programmes in per cent of GDP, for the most recent year available 51
Table 3. PES local office networks, staff resources and workload indicators 54

Part I

Vercammen and Geerts

Table 1. General data on the labour market in Flanders 112
Table 2. URLs for some VDAB organisations and services 118

van Yperen

Table 1. Basic services delivered to employers in 1999 and 2000 133

Part II

Horálek

Table 1. Basic indicators of economic development, 1990-99 173
Table 2. Jobseekers and active employment policy, 1991-2000 177
Table 3. Social and health system expenditure, 1990-98 182
Table 4. Key social indicators, 1999 183

Grubb

Table 1. Periods of benefit sanction following a voluntary quit and refusal of work or ALMP placement 194
Table 2. Incidence of unemployment benefit refusals and sanctions in fourteen countries 196

Anderson

Table 1. Work search requirements and documentation, by state 220
Table 2. Determinations for non-separation reasons, 1999, by state 224
Table 3. The effect of telephone weeks claimed on the rate of job-search-related determinations 225
Table 4. Description of UI job search demonstrations and evaluations 226
Table 5. Effects of job search demonstrations on UI weeks claimed and reemployment earnings. 228
Table 6. Estimated impacts of WPRS on service receipt, UI outcomes, employment and earnings 231

Finn and Blackmore

Table 1. Schedule of contacts with the Employment Service for claimants of the Jobseeker's Allowance, 2000/01 294
Table 2. Main job-search and training programmes, Great Britain, 1996/97 295

Part III

Räisänen

Table 1. Estimates of dead-weight for unemployed entrants into labour market training and subsidised employment measures, 1993-98 346
Table A1. Probability of unemployment continuing for at least 3 months, for unemployment of varying duration categories 358
Table A2. Example of calculation of dead-weight effects for labour market training and subsidised employment in 1998 359

Part IV

Riggs

Table 1. Job Network enrolment and referral shares for disadvantaged jobseekers: 1 May 1998 to 24 September 1999..... 387

Employment Programs Branch, Canada

Table 1. Resources available for transfer, 1996 401
Table 2. Funds and staff transferred to the provinces, 1997-2000 402

List of Figures

Part I

Charana and Rodrigues

Figure 1. The seasonality of unemployment in 1999 100
Figure 2. Registered unemployment by age group in April 2000 100
Figure 3. Organisational structure of Loulé Job Centre 101
Figure 4. Operational structure of Loulé Job Centre 101

Vercammen and Geerts

Figure 1. Information and communication technology, a critical success factor 113
Figure 2. A WIS touchscreen kiosk..... 115
Figure 3. Jobseekers consultations of the WIS electronic labour exchange, 1994-2000..... 115
Figure 4. The number of KISS queries by employers, 1997-2000..... 117
Figure 5. VDAB on the Internet..... 118
Figure 6. Weblearning..... 119
Figure 7. Number of jobseekers consulting WIS vacancies through the Internet, 1996-2000..... 120
Figure 8. In-person contacts and electronic contacts with jobseekers, 1993-1999..... 125

van Yperen

Figure 1. Vacancies in six main sectors, number and as a percentage of all vacancies, 2000 128
Figure 2. Actors in Dutch labour market policy..... 130
Figure 3. Vacancies registered and filled by the PES..... 133

Part II

Horálek

Figure 1. Unemployment rate, 1991-99 176
Figure 2. Labour productivity and real wages, 1990-99..... 176
Figure 3. Unemployment rate by age groups, 1993 and 1998..... 180
Figure 4. Unemployment structure by the duration of registered unemployment, 1991-98 180

Anderson

Figure 1. Status of telephone weeks claimed, by state 221
Figure 2. Status of remote initial claims, by state 222

Wells

Figure 1. Vacancies notified to Jobcentres and estimated total, 1980-99 245
Figure 2. Distribution of notified vacancies across the United Kingdom 246
Figure 3. Expenditure on labour market programmes, 1982-98 251
Figure 4. Unemployment: claimant and ILO measures, 1978-2000 251
Figure 5. Claimant unemployment: total and long-term, 1950-2000 252
Figure 6. Inflows to and outflows from claimant unemployment, 1967-99 253
Figure 7. Proportion of people becoming unemployed who left unemployment in 1986 after various periods of time 253
Figure 8. Proportion of people becoming unemployed who left unemployment in 1999 after various periods of time 254
Figure 9. Proportion of the claimant inflow leaving within a certain period, 1984-99 254
Figure 10. Distribution across the United Kingdom of the proportion leaving unemployment in the first year of unemployment, 1986 and 1999 255
Figure 11. Claimant unemployment amongst 18-24 year-olds, 1962-2000 257
Figure 12. Recipients of selected state benefits, 1985-2000 258

Mærkedahl

Figure 1. Number of activated persons, total and as a share of the activation target group, 1980-2000 266
Figure 2. Full-time equivalent persons in activation, by the percentage of the year spent in activation, 1992-1998 266
Figure 3. Reduction in transfer-degree caused by activation offers 268
Figure 4. Probability of transition from the benefit system to regular employment in 1998, in accordance with unemployment benefit seniority 269
Figure 5. Motivation effect: the relative change in the rate of outflow from the unemployment benefit system into ordinary employment from 1997 to 1998 270
Figure 6. The youth scheme: the relative change in the rate of outflow from the unemployment benefit system into ordinary employment from 1995 to 1998 for young unemployed members of SiD and KAD 271
Figure 7. Developments in unemployment, structural unemployment and rates of wage increases, 1970-98 272

Backer-Røed and Mannsåker
Figure 1. Social assistance recipients and registered unemployed in Oslo, 1980-98 278

Part III

Räisänen
Figure 1. Unemployment-vacancy relationship, 1974-99 340
Figure 2. Number of new (inflow) and terminated (outflow) periods of unemployment, 1991-98 340
Figure 3. Short-term and long-term unemployment as a proportion of total unemployment, 1991-99 341
Figure 4. Public expenditure on active and passive labour market policy measures, 1991-98 341
Figure 5. Unemployment periods terminated by active labour market policy measures and other terminated periods, 1991-98 342
Figure 6. Unemployment periods terminated by main categories of labour market programme, 1991-98 342
Figure 7. Average stock of participants in labour market programmes in 1988-99 343
Figure 8. Stock-flow model of vacancies in 1999 344
Figure 9. Stock-flow model of unemployment periods in 1999 344
Figure 10. The effect of the duration of participation on participant inflow, for various levels of stock 349
Figure 11. Proportion of new unemployment spells that exceed six months duration for youth and 12 months for adults, 1994-98 355
Figure 12. Average duration of the stock of unemployed and of terminated unemployment spells, 1991-98 355

Part IV

Employment Programs Branch, Canada
Figure 1. Canadian unemployment rate, 1992-99 403

INTRODUCTION

SUMMARY AND CONCLUSIONS BY THE RAPPORTEUR[1]

1. Introduction

The conference, organised jointly by the OECD and the Czech Ministry of Labour and Social Affairs, was attended by some 230 participants representing public authorities, national employment services, the social partners, academia and other international organisations. It consisted of four sessions addressing the following themes: "The Labour Exchange Function of the PES"; "Unemployment Benefits and Activation Measures"; "Design and Implementation Issues for Active Labour Market Policies"; and "Structure of the PES". At the end of the conference a Ministerial Roundtable was held on the topic of "Political Leadership for an Active Labour Market Policy in the New Millennium".

The conference was very timely because the general economic climate has been good for some time in most OECD Member countries. This has given rise to a number of success stories, notably a reduction of the number of long-term benefit recipients and significant falls in structural unemployment rates. In several countries, the type of policies discussed at the conference seem to have contributed to these positive results. While it is always difficult to separate the effects of the general economic climate from those of selective policy interventions, actual labour market performance is likely to be the outcome of a virtuous circle between both influences (for more details see OECD, 1999).

This view – strongly argued in the *OECD Jobs Study* – was reinforced by the outcomes of the conference. Even when the measurable reemployment and income effects of labour market programmes on individual participants are small, the longer term and cumulative effects of a broad range of micro-economic interventions and reforms on *effective* labour supply must not be underestimated. All policies discussed at the conference, ranging from job broking to benefit management to institutional reform to job-search assistance and other active labour market programmes, can have positive labour supply effects not only through attracting groups on the margin of the labour force to participate but also by maintaining employability and labour force attachment among the long-term unemployed. Increased effective labour supply will improve the prospects for non-inflationary growth.

Some participants observed that policy reforms in the labour market area should be introduced now when job prospects are good because there will be less resistance to change and more acceptance of trial-and-error. This may not be true, however, when the reforms require substantial additional resources. It is politically very difficult to raise public spending on labour market programmes when unemployment is falling. But reforms of the regulatory system such as eligibility criteria for benefit receipt do not come with additional costs to the public purse. Moreover, these kinds of policy reforms have the potential of raising the cost-effectiveness of labour market policies and thus to achieve a better outcome at the same spending level. Hence, now would be the time to introduce them.

The call for caution in demanding additional resources holds for certain of the "old" OECD Member countries which have built up a substantial PES infrastructure over many decades in the past. For some of them the adoption of more effective working methods must be the priority. However, in some other countries, including several new Members such as the Czech Republic, low levels of PES spending and staffing arguably remain a barrier to coping effectively with current levels of unemployment and there is a reasonable case for additional resources.

2. A sea change in PES working methods

Office procedures

During the first session on "The Labour Exchange Function of the PES", many new developments in the technological area and their implications for the PES were discussed. While these technological innovations are spectacular, outcomes from PES work continue to depend heavily upon management philosophy, organisation and procedures at the local office level. António Charana and Vítor Rodrigues describe a local labour office in the south of Portugal where there is a tight and detailed specification of how jobseekers or employers should be "handled", starting from when they enter or contact the office for the first time and lasting throughout the duration of the unemployment or vacancy spell. A particular emphasis is placed on keeping accurate and up-to-date jobseeker and vacancy files, and on the importance of employment counsellors being highly skilled, working in different specialised areas yet, through job rotation, also able to acquire broad experience in the longer term. Since the overriding principle is to achieve job finding and vacancy filling in the shortest possible time, the office focuses its work on job matching, maintaining employer contacts and referrals to labour market programmes in a closely integrated way.

Service orientation

The emphasis on providing services to customers rather than simply following administrative rules and procedures is another new orientation for the PES which can be observed in several countries. "The customer is in the driving seat" is the motto of the PES in Finland, as described in the paper by Heikki Räisänen. One visible result of this trend is customer satisfaction surveys. It is noteworthy that such surveys are not only used to measure performance of individual employment offices but also the effectiveness of specific policy interventions (the New Deals recently introduced in the United Kingdom for instance) or major labour market reforms (contestability in delivering placement and reintegration services in Australia).

This service orientation (or service "obsession" as it was called in the paper by Balducchi and Pasternak) originated in the private sector and has penetrated the public sector in many other areas as well. However, in the case of the PES it appears particularly relevant because losing a job or being unemployed for a long time can be a traumatic experience for the individual jobseeker in question. A friendly reception in the PES office and the impression that everything is being done to help can make a real difference. The negative perception of an "unemployment office" has not been overcome yet in all countries, but the new focus on offering services to jobseekers and employers – as distinct from simply paying benefits and waiting for vacancies to come in – will be an important step towards breaking this stereotype.

Vacancy information

Due to the rapid expansion of the Internet and the increasing number of labour matches achieved through this new medium, open vacancy display and self-service facilities have become essential if the PES is to remain a significant actor in modern labour markets. The most common development is the nationwide PES vacancy register which can be easily accessed via work stations (often equipped with touchscreens) in local labour offices and other public premises or which can be consulted on-line over the Internet.

The future trend seems to be towards growing possibilities for jobseekers to contact employers with job vacancies either directly or with a minimum of PES involvement. Thus, to some extent, the earlier debate about whether vacancy display should be open, semi-open or closed may be overtaken by events. This does not mean that some vacancies will not continue to be closed, if employers so wish, but the great majority will be open, or at least semi-open, in order to profit from the great transparency provided by the Internet. The argument that, with complete open vacancies, employers may be swamped with applications from unsuitable candidates would seem to hold even more in the Internet era when an application can be made with a few mouse clicks. Yet the facts do not seem to support this view. No serious problem appears to have arisen, for instance, in the Belgian region of Flanders where 90% of PES vacancies are open and 50% of these are filled without any intervention of the PES.

Traditionally, head-hunting agencies tend to keep their vacancies closed. Temporary work agencies make referrals on a closed basis (selection from their lists of available workers) and also advertise vacancies on a semi-open basis. Eventually, the sharp drop in the costs of obtaining and promulgating labour market information due to the Internet may tip the balance in favour of fully open advertising by enterprises, and seriously impede the business opportunities of these agencies.

The degree to which information and communication technologies have already increased labour market transparency can be gauged from a Norwegian figure quoted by Ted Hanisch, President of the World Association of Public Employment Services: 3.5% of the labour force is consulting the vacancy register every day. Using a different method which attempts to eliminate repeat consultations by the same persons, Sweden has estimated that 15% of the labour force is consulting the vacancy register once a month. Many of these consultations are likely to be from persons in employment and many of these may currently not be looking for a new job but simply testing their *potential* chances in the open labour market. Nevertheless, such enhanced market information, which has never existed before, is likely to make labour markets more flexible than in the past, thereby facilitating work force adjustments to structural change.

CV-data banks

The rapid development of vacancy data banks, *i.e.* the development on the labour demand side, is matched by a similarly buoyant development on the labour supply side. Indeed, several countries have built up CV-data banks of jobseekers which can be assessed by employers electronically. The CV data bank of the US, for instance, contains 1.6 million resumes compared with an average stock of 1.5 million job openings in the vacancy data bank. Some key features of a CV-data bank in Flanders are worth mentioning (for more details see the paper by Eddy Vercammen and Edy Geerts). Just as in the case of employers entering their vacancies, jobseekers can enter their CVs with the help of a placement officer or by themselves. They can enter this information from their own work station at home over the Internet or from stand-alone facilities in local labour offices or other public premises. Standardised forms and keywords are used which facilitate searching and screening by

employers. In order to access the data bank over the Internet, employers need to have a client code. Employers can ask to be regularly provided with incoming CVs which correspond to their recruitment needs just as it is possible for jobseekers to receive in their electronic mail-box (based on push-mail or subscription technology) information on incoming vacancies corresponding to their profiles.

During the discussion, some concern was raised that electronic self-services may only favour the computer literate, leaving behind the non-literate who are likely to be over-represented among the long-term unemployed. Moreover, Balducchi and Pasternak report a number of studies in their paper assessing the use of self-service devices in the One-Stop labour offices recently introduced in the United States. They come to the conclusion that "without a balanced approach to the delivery of electronic self-services and staff-assisted services, over-reliance on self-service technologies may result in a failure to meet the needs of some jobseekers and employers". If one bears in mind that the future emphasis of the PES is likely to shift towards the problem cases among the jobseekers and the difficult-to-fill vacancies, this warning does not seem to be superfluous. Nevertheless, it is also imperative that the PES does adjust to the rapidly evolving electronic environment and takes advantage of the new opportunities which it provides.

Networking

Among the many other innovations and possibilities of using electronic facilities by the PES, information exchange and communication between various institutions and agencies is worth mentioning. Such institutional networking (via Intranets for example) corresponds to some other trends in labour market policies discussed at the conference. One is the pooling of various public services and their corresponding agencies into a comprehensive "work-first" strategy. The visible outcomes of this trend are the One-Stop shops and the Welfare-to-Work approach in the United States and the activation policies in countries with long-duration unemployment and social assistance benefits such as Denmark, Norway and the UK. Close and effective co-operation between placement, UI benefit and welfare institutions is a key requirement in this approach because the overriding concern is to reintegrate benefit recipients – whatever the benefit regime – as quickly as possible into work. Yet, these institutions often differ in culture, internal organisation, financing arrangements and policy priorities – factors which need to be counterbalanced by intensified co-operation and communication. Failing this, there is a risk that the various institutions which are expected to co-operate and to offer complementary services, will in fact offer the same services. This can already be observed in some countries where municipalities or benefit agencies, frustrated by poor co-operation with PES offices, have started to provided placement services themselves.

In addition, the trend towards decentralisation of the PES system (see below) requires more networking and communication between the various actors than hitherto. In this case the networking will be less at the horizontal level as in the previous example but more at the vertical level. Financing mechanisms, management by results, implementing centrally decided policies at the regional or local level, all require increased information flows between the various levels. This is to be expected even in cases where a considerable amount of decision-making power is devolved to the decentralised level.

Marketing to employers

The employer as a PES customer received particular attention in the discussions. The Netherlands, as documented in the paper by Jeannette van Yperen, has developed a set of marketing strategies in order to improve the PES image among employers, to intensify vacancy notification and to improve co-operation with them. The provisions range from a set of basic services free of charge

(*e.g.* vacancy processing) to more intensive services for which a fee has to be paid (*e.g.* outplacement) to sector services (*e.g.* help with achieving recruitment objectives for target groups, as designated in sectoral collective agreements). A Finnish delegate reported that, due to a consistent policy of canvassing and servicing enterprises, the PES was also able to establish an excellent image among private employers in his country. To appreciate these efforts it should be recalled that in the past there was, and in many countries there still persists today, a rather negative attitude on the part of many employers towards the PES which is customarily seen as offering candidates who are little motivated or insufficiently qualified.

During the debate the increasingly complex recruitment needs of enterprises were mentioned by several speakers. These are due to the structural changes mentioned above but also to the technology-driven changes in work organisation. It is imperative that the PES is sensitive to these changes and adapts its working methods so as to be able to assist enterprises in coping with these new challenges. This aspect was mentioned by several speakers. Ted Hanisch, for instance, observed that "serving employers is the key to support any jobseeker and the key to employers is the delivery of services that they need and want."

Nevertheless, there is a key policy issue here: how far should the PES go in providing intensive services to enterprises like in-depth screening of candidates or developing enterprise recruitment plans? If labour markets tighten further, the PES might even be tempted to compete with private placement firms in "head hunting". One delegate from Germany argued strongly against allowing enterprises to externalise their costs by shifting them to the PES. In this perspective, the charging of fees for services beyond the normal assistance in vacancy filling, as practised by the Netherlands and Flanders, appears to be a reasonable solution. This will permit the PES to maintain and intensify valuable co-operation with enterprises and for enterprises to be provided with a seamless range of PES services. Even in this case, however, it would probably not be justified for the PES to go as far as "head hunting" if this implies the poaching of employees. The PES as a public institution should restrict its interventions to removing labour market imbalances, *i.e.* refrain from filling vacancies by creating new ones.

3. Activation through policy interventions and benefit management

The policy objective of "work-first" or "welfare-to-work" or "activation of otherwise passive benefit recipients" were a recurring theme in the conference discussions. The goal as such is not new, in the 1970s the slogan of "trampolines instead of safety nets" was often heard, and in the 1980s much rhetoric emerged about the need to shift public spending from passive income support to active labour market policies. In recent years, however, the political resolve to move ahead in this direction seems to have grown and some of the thorny questions of how to implement such a policy have received a number of relevant answers based on the actual experience of some countries. The conference provided an opportunity to take stock of these positive developments.

The long-running battle of the "old" OECD countries to shift the course of policy from income support to employability and access to work is mirrored in the Czech Republic – a new OECD Member – in the battle to prevent a drift of job losers into benefit dependency. As described in the paper by Milan Horálek, there was no problem in maintaining full-employment shortly after the transition to the market economy. In fact, estimates about rapidly rising unemployment turned out to be wrong. According to Milan Horálek, this was partly due to rigorous PES and labour market policies. Since the middle of the 1990's, however, the economic situation deteriorated and unemployment started to rise. Spending on active labour market policies and the PES infrastructure did not keep step with these developments. Although benefit levels in the Czech Republic are low

compared with the OECD average, disincentives to work cannot be overlooked. Hence, employment policies are strongly impeded by an unfavourable economic climate whereas social protection policies seem to be insufficient to maintain the re-employment chances of the beneficiaries.

While the great majority of OECD countries agree on "activation" as a principle, the implementation raises a number of questions on which there is much less agreement. These questions can best be divided into three groups: *i)* what type of activation measure should be used? *ii)* how much coercion should be applied on the unemployed? *iii)* what is the best timing of the policy intervention within the individual unemployment spell?

Type of policy measures

The first question, what type of measure for activation policies, is very close to the one raised in recent years with regard to the effectiveness of active labour market policies: What works and what doesn't? This has led to an extensive evaluation literature on labour market programmes (*e.g.* Martin, 2000). Very succinctly, the results of this literature can be summarised as follows: job-search assistance programmes have the most positive post-programme effects on the reemployment chances of participants and large-scale public employment programmes the least positive post-programme effects. Training programmes and recruitment incentives to the private sector fall somewhere in between, with success depending largely on design characteristics and the type of target groups addressed by the programmes.

Partly as a result of this evaluation research a clear shift of emphasis can be observed in recent years towards the use of job-search assistance measures (although other influences, like low costs compared to other programmes, as well as the predominance of excess labour supply, have played a role as well). Detailed descriptions of job-search assistance in all shades and variations can be found in many of the conference papers.

Apart from labour market programmes in the proper sense, the idea has gained ground in recent years that a tightening up of benefit eligibility criteria or simply their stricter application may raise the exit rate from unemployment registers into jobs. In this way, more effective management of the benefit system can become a tool for activating jobseekers. David Grubb observes in his paper that eligibility criteria and their application have been given little attention in the literature dealing with the effects of unemployment benefit systems on unemployment. This is surprising since a benefit sanction can have a rather dramatic effect on the income of the recipient and, hence, potentially on behaviour compared with a marginal adjustment in benefit levels or duration – policy options which have been mostly studied in the literature. Grubb also argues that it is less important whether the criteria are strictly defined; what counts is whether they are strictly and persistently applied. Therefore, many countries might be able to improve PES performance by simply devoting more effort to the implementation of their existing unemployment benefit legislation.

Coercion on the unemployed

Coercion on the unemployed as part of an activation strategy will normally involve a mixture of the following obligations (enforced if necessary through benefit sanctions): to participate in detailed interviews, supply information and agree to an action plan, to accept a suitable job offer, to undertake independent job search or to participate in a labour market programme. There has been a broad public debate in many OECD countries on the degree of coercion to be applied in these areas. This debate was reflected at the conference.

To start with, some empirical evidence was presented as to whether coercion matters in terms of affecting the job-search behaviour of benefit recipients. Patricia Anderson reports evaluation evidence and demonstration results on the monitoring of job-search requirements of UI recipients in the United States. Such monitoring focuses on the number of required contacts with employers, the amount of documentation required, and the frequency of verifications. The results show that "either more intensive monitoring or more demanding search requirements tend to reduce the length of claims by one-half to one week. At the same time, eliminating verification of active job search seems to lengthen claims by one-half to one week". To put these figures into context, one must bear in mind that the mean duration of benefit receipt in the United States is only about ten weeks. Inge Mærkedahl's paper provides empirical evidence showing that, prior to the introduction of a compulsory activation period in Denmark, the outflow from unemployment tends to accelerate. Finally, David Grubb reports in his paper the results of two Dutch studies which show that the imposition of sanctions on unemployed people raises their transition rate to employment quite substantially. Grubb observes, however, that "it should be kept in mind that sanctions may have been successfully targeted on people for whom they are likely to have an impact (*i.e.* employable persons who appear to lack motivation): the impact at the margin, if sanctions were used more widely, might be much smaller".

A different type of evidence is contained in the paper by Dan Finn and Martin Blackmore. They report findings from a number of so-called "focus groups", composed of long-term unemployed and front-line staff in employment offices, who discussed the Jobseeker's Allowance introduced in the United Kingdom in 1996. They found that the increased compulsion associated with receiving the allowance was not perceived as a major problem. However, both focus groups complained about the lack of resources for implementing policies such as compulsory Restart interviews or participation in various programmes in a way which would actually raise the employability of the beneficiaries. Front-line staff, moreover, complained about increased case loads, multiple performance targets ("target culture") and frequently changing policy initiatives ("initiativity"). A visible outcome of their frustration was a high staff turnover which then aggravated the "implementation gap" of the policy package. One conclusion to draw from this experience is that the implementation of a rigorous policy to link benefit receipt to job-search, such as the UK Jobseeker's Allowance, is a very ambitious endeavour which will require substantial resources if it is to be effective.

More stringent labour market obligations have also been introduced for assistance or welfare beneficiaries. This is a key element in the Welfare-to-Work approach of the United States which, aided by a favourable economic climate, has already shown considerable success, notably in raising activity rates for lone parents. Another quite striking success story was reported at the conference from the city of Oslo where, following the introduction of what is called "the working principle", the number of social assistant recipients dropped by almost 30% between 1990 and 1998 (*cf.* the paper by Nina Backer-Røed and Lars Mannsåker). The United Kingdom also intends to introduce labour market-oriented measures for the inactive (New Deals for lone parents, the disabled, partners of the unemployed) which, as described in Bill Wells' paper may include "active management of the benefit and the requirement of certain activity by the participants (although not necessarily full labour market conditionality)".

In summary, it would be wrong to suggest that a clear-cut commitment to more coercion emerged at the conference. Nevertheless, some general propositions can be formulated on the basis of these discussions:

- In most countries the balance between the right to refuse and the obligation to accept a particular vacancy or the right to refuse and the obligation to participate in a particular labour market programme has shifted towards the obligation.

- It is less important to be strict in defining eligibility criteria such as independent job-search efforts, acceptance of suitable work offers, commuting time etc. It is more important how these criteria are *actually* implemented.

- In order to implement effectively policies such as back-to-work plans, activation periods and welfare-to-work strategies, the conditionality of benefit receipt is indispensable.

- Conversely, to quote from the Norwegian paper, "in order to set terms, you must have something to offer" (*i.e.* jobs or training or work experience).

The appropriate timing for policy interventions

Should policy interventions of a compulsory nature start early in the unemployment spell? Or should the PES first adopt a hands-off attitude and confine itself to providing self-service devices and offer programme participation, notably training, on a voluntary basis? Should there be an automatic trigger for such interventions at a particular duration threshold of the unemployment spell? Or should they remain (within a certain range set by general guidelines) at the discretion of the PES officer? If early interventions are favoured, should they be applied to everybody or should they be restricted to those who are judged the most likely to end up in long-term unemployment? The conference discussion has shown that there are no unambiguous answers to these question; each option has certain advantages and disadvantages.

The budgetary implications are an important consideration in real-world circumstances. If early interventions of a compulsory nature are favoured and applied to *all* jobseekers they are bound to be rather "light", such as not-too-elaborate action plans to return to work, short interviews, and regular visits of benefit claimants to the PES office. With the lengthening of the unemployment spell the interventions then become more resource intensive. A good example of this approach is the one adopted by the United Kingdom in implementing the Jobseeker's Allowance, as described in the paper by Bill Wells.

Conversely, if early interventions of a more substantial nature are favoured, it will only be affordable if these measures are reserved for preselected jobseekers who are judged to be at high risk of becoming long-term unemployed. In this case a follow-up question of considerable importance emerges: how to preselect at-risk workers? There has been a recent debate about the reliability of *profiling* techniques of at-risk groups and its implications for policy effectiveness. These issue, however, were not addressed explicitly at the conference. It suffices to note that some countries, *i.e.* Australia, the United States and the Netherlands, do rely on early identification of at-risk groups in order to apply early policy interventions (*cf.* the papers by Leslie Riggs, David Balducchi & Alison Pasternak, and Jeannette van Yperen).

Several policy interventions of a compulsory nature are often applied from the start of the spell. Countries commonly require claimants to attend a job-search seminar, agree an individual action plan, and report their job-search activity. They may also apply the work test; particularly in areas of labour shortage, some PES refer qualified unemployed directly to vacant jobs not only in the early weeks of their unemployment spell but at time of initial registration, with refusal of job offers leading in principle to disqualification from benefit.

However, it is probably fair to say that the great majority of OECD countries do not, or not yet, favour making participation in longer-term labour market programmes compulsory early in the spell, prior to say six months of unemployment. The case against an early use of longer-term labour

market programmes is set out in some detail in the papers by Inge Mærkedahl and Heikki Räisänen. Räisänen refers to the dead-weight loss due to the fact that the participant would have probably found an open labour market job during the same period even without the measure. Mærkedahl refers to the same issues as the "retention" effect from programmes. There is a term commonly used in Nordic analysis of labour market policy which may be translated more literally as "in-lock". Programmes lock people in when many of them would, in fact, have found a market job during the period of participation. This effect is greater for the short-term unemployed because they have the highest rates of entry to market jobs in the absence of programme participation. Countries in favour of early interventions would argue that this "in-lock" risk is small because the profiling technique would eliminate easy-to-place jobseekers.

Even where compulsion is not, or only slightly, used in the beginning of the unemployment spell, the effectiveness of moving at some stage in the spell to compulsory policy interventions must not be underestimated. A good example is Denmark's activation period which is characterised by a "rights and duty principle" and starts now after one year of unemployment for adults and six months for youth. With the introduction of the activation policy in 1994 and its successive broadening and tightening, the unemployment rate (full-time unemployed persons) fell from 12.5% to an average 5.7% in 1999. A large number of persons (corresponding to 4% of the labour force) are on activation programmes, and indeed spending on active programmes has continued to rise recently in spite of the fall in unemployment. This behaviour is rather unusual in historical and international terms. It reflects Denmark's resolve to get rid of its long-term unemployment problem which is a legacy from the pre-1994 past when very high replacement rates were coupled with the possibility – through intermittent spells of participation in labour market programmes – of prolonging benefit receipt indefinitely (carousel effect). The 1994 reform both abolished the carousel effect and started the process of compulsory activation. Inge Mærkedahl summarises this process in her paper as "more and more persons are given longer and longer activation treatment earlier and earlier in the unemployment spell".

What has changed ?

Following Denmark's pioneering policy, the same approach was adopted by other countries such as Switzerland (referral to programmes after seven months of unemployment) and the United Kingdom (New Deals for youth after six months of unemployment and adults after 12 months). Moreover, the same principle was followed in the so-called Luxembourg Guidelines adopted by the European heads of government in 1997 according to which every adult should be offered a "new start" before 12 months of unemployment and every youth before six months of unemployment. What differs from the Danish, Swiss and UK approach, however, is that in the EU Guidelines no explicit reference is made to compulsion. Only an indirect link exists in that appropriate incentives for taking up work – which can be interpreted as including the risk of benefit loss in case of refusal of a job or programme offer – are called for. Nevertheless, an offer made to all long-term unemployed is already a decisive step beyond the mere availability of labour market programmes for which only the motivated will apply and which the unmotivated do not have to refuse explicitly. Therefore, as Professor Richard Layard remarked in the discussion, the guidelines point in the direction of a universal treatment of the long-term unemployed and this for him is the essential new element in current policy making.

Setting a specific time limit after which treatment becomes compulsory has both advantages and disadvantages. If treatment is decided at the discretion of the PES officer – an example being Portugal as described in the paper by António Charana and Vítor Rodrigues – there is more room to take into account things like the individual circumstances of the jobseeker, the conditions of the local

labour market, the availability of programme slots, etc. The disadvantage is that in the case of refusal it will be difficult for the placement officer to provide objective evidence that the treatment would be in the longer-term interest of the jobseeker. This may impose considerable stress on the PES officer – especially in local areas where "everybody knows everybody" – and eventually work against him or her being "tough". Or it may lead to differences in application between local offices and individual officers opening the door to "comparability" and endless disputes about what is perceived as fair and what as unfair treatment. With the passage of time, it is likely that strictness will become more and more on the defensive and finally the old tendency may survive that the motivated accept and profit from the programmes and the others continue to be left behind.

Another argument against discretion would be that without approaching a precise threshold date for compulsory treatment, jobseekers may not embark on accelerated job search because they believe that the date continues to be "negotiable". For all these reasons, therefore, the introduction of a precise threshold date appears to be increasingly favoured by OECD countries.

In summary, what historically has changed in labour market policy making, seems to be the following. Traditionally, active labour market policies have been selective and voluntary throughout the unemployment spell (with some noteworthy exemptions, however, like Sweden where refusal to participate in programmes has always led to benefit sanctions). With the new activation strategies labour market policies tend to be selective and voluntary early in the unemployment spell but become universal and compulsory later in the spell.[2] Moreover, the tendency seems *i)* to favour a precise threshold date for switching from the first to the second regime and *ii)* to reduce the duration of the first regime.

All countries do not fit into this pattern, of course. The United Kingdom, for instance, has policies which are both universal and compulsory from the beginning of the unemployment spell (implementation measures of the Jobseeker's Allowance) as well as measures which are both universal and compulsory after 6 or 12 months of unemployment (New Deals for youth and adults). The United States has selective but compulsory interventions from the beginning of the unemployment spell (job-search assistance for at-risk workers) and universal and compulsory interventions for welfare recipients (long-term unemployment in the European sense is almost non-existent because of the short UI benefit duration). Finally, the European Guidelines can be interpreted as proposing selective and voluntary measures early in the unemployment spell and universal measures but not necessarily compulsory ones – with decisions about how to handle refusals being left in the domain of national competence – after a certain duration threshold.

Nevertheless, the pattern "selective and voluntary up to a defined date – universal and compulsory thereafter" is perhaps the best description of what has changed in recent years. Even if this formula does not hold for all OECD countries, it certainly reflects the spirit of a tightening up in policy making with a view to combating social exclusion – a goal to which they are all committed.

4. More outreach through decentralisation

In many countries the PES has been decentralised and/or given greater autonomy vis-à-vis the central government, often coupled with a stronger involvement of the social partners. A great variety of arrangements exist in this area and it is rather difficult to make international comparisons and draw general lessons here. One view expressed at the conference (see the paper by Jaap de Koning) was that the great variety of institutional arrangements, on the one hand, coupled with the small size of the positive effects of active labour market programmes observed in all countries, on the other hand, suggests that institutions do not matter much for the effectiveness of labour market

policies. In fact, the strong emphasis on institutional reform, according to de Koning, was a misguided endeavour in recent years. In his view, Governments should focus more on the careful analysis of the prevailing labour market problems, the design of appropriate policy responses and the optimal allocations of funds.

This issue was taken up in the Ministerial Round Table at the end of the conference. While there was agreement on the need to improve policy analysis and design in order to achieve a better responsiveness to constantly changing labour market conditions, there was not much support to belittle the importance of labour market institutions. Moreover, de Koning's argument hinges on the observation of uniformly small effects on programme participants in countries with strongly diverging institutional settings; it is also true that countries which have adopted broad activation strategies coupled with other micro-economic policies and reforms such as tighter benefit management have enjoyed a significant improvement in labour market performance in recent years. Hence, the verdict as to whether institutions matter is still open.

Greater effectiveness of labour market policies is not always the main purpose of decentralisation reforms of the PES. They can, for instance, be the result of a power struggle between the central government and regional entities or they can form part of general political trends such as "decentralised federalism" in the United States which has a much broader connotation than raising policy effectiveness.

Based on the conference discussion, the main benefits of decentralisation might be summarised as follows. The involvement of additional partners will positively affect the pool of knowledge and expertise in implementing PES policy, it will favour the willingness of the parties involved to co-operate and will smooth out the political acceptability of certain operations. The latter might be particularly important for the implementation of unpopular policies like tightening up eligibility criteria for unemployment and related benefits or PES assistance in the downsizing of major production lines at the local level.

These advantages must be confronted with some disadvantages however. There is some evidence from the Netherlands and Sweden (cited in Jaap de Koning's paper) that the involvement of too many players in the day-to-day management of PES operation may increase delays and weaken the responsiveness of policy interventions. Therefore, both at the policy making and the operational level, the right balance has to be found between the "voice" to be given to the various partners and the overall policy responsibility of the central government.

Another consideration is to ensure that decentralisation does not lead to a dispersion and reduction of competence and know-how – often gradually and painfully built up over the past – in facilitating job finding and filling vacancies. This might happen, for instance, if municipalities are suddenly charged with offering placement and re-integration services for which they are not equipped, either in terms of physical or human capital.

As described in the paper by Bill Gardner, Canada has gone probably furthest in decentralising labour market policies comprising even, in most provinces, the transfer of almost all placement service resources from the federal to the provincial level. Policy makers in Canada are aware of the risk that, in the words of Bill Gardner, "without co-ordination active labour market policies could become balkanised and the national employment service system fragmented". While this issue may be particularly relevant for Canada, it holds for other OECD countries as well and gave rise to a lively debate. The Austrian discussant of this agenda item, Michael Förschner, former chair of OECD's Local Employment and Economic Development Committee, acknowledged the two-fold challenge of accountability and maintaining a common policy framework in any decentralisation

strategy. In his view the key to overcoming any problems and tensions are partnership agreements. Canada, for instance, relies on partnership agreements between the Federal Government and the Provinces. In Austria, the decentralised PES offices continue to co-operate with the centre but they also form partnerships on their own discretion and initiative at the local level. Moreover, according to him, accountability and control have been facilitated by modern information technologies.

5. More cost effectiveness through contestability

By now, it is generally accepted that private placement agencies should coexist with the PES and the relevant ILO Convention has been modified in this direction. Some countries, however, have gone further in recent years (or intend to do so) by requiring the delivery of PES services to be "contested" in a market environment (not necessarily privatised, however, as described below). This idea of "contestability" has gained ground in several areas of public management, notably in the health sector with a view to ensuring that public money is spent in the most cost-effective way. Since a market price normally does not exist for a public service there is no objective benchmark against which the cost-effectiveness of delivering these services can be measured. However some governments are seeking to create a market environment in which the public provider has to compete with private providers of the same services.

The creation of such a market environment with a "level-playing-field" for public and private providers raises a number of difficult issues – of a technical, institutional and political nature. It should suffice here to mention only the basic principles of the contestability approach as it has emerged over the last decade or so. The starting point is to separate the public service provider (such as a public hospital or the PES) from the service purchaser, *i.e.* the government. The government then defines the service outcomes it wants to pay for and calls for tenders from potential suppliers, among them the public provider. The tendering and contracting process can be on the basis of bid prices or, at a set price, on the basis of quality of the services offered or a combination of both.

An alternative would be for the public authorities to withdraw from the delivery of these services altogether and purchase them from one or several private providers. In this case, however, it would be better to speak of "privatisation" or "full privatisation" of the service delivery rather than "contestability" because there is no public provider left to be "contested" . It could also happen that what began as checking the cost-effectiveness of a public provider, *i.e.* contestability, ends up with only private providers left after some time. In other words, the public provider is priced out of the market. This would not be an argument against contestability because its very purpose is to check whether the public provider is competitive in terms of price and quality of the services offered.

In considering the suitability of such an arrangement for the PES, a first question to ask would be which of the three basic PES functions, *i.e.* job broking, unemployment benefit management and referral of jobseekers to reintegration measures, would lend itself to the introduction of contestability. Here Australia goes furthest. Leslie Riggs' paper describes the selection of providers by tender and payments made to them on the basis of outcomes for "Job Matching" (a job broking service), "Job Search Training" and "Intensive Assistance" (which are reintegration services). Even some aspects of benefit management are handled by the providers: they have to monitor how the jobseeker's behaviour matches up to the eligibility criteria and to report uncooperative behaviour to the benefit agency. Since they are paid on the basis of successful placements they have an incentive to do so. The Netherlands intends to introduce contestability for the third function, the reintegration function. This implies, as explained in an oral conference presentation by Peter Stroink, Ministry of Social Affairs and Employment, that the current PES will be split into a section that works in the public domain and provides basic matching services (jobseeker and vacancy databases, with search

facilities) and a section that operates – together with many other suppliers – on the market for reintegration services.

However, the story does not end there. A closer look reveals that many countries – even some of those most committed to safeguarding the public service concept – have introduced contestability in the training area. They have phased down, but not eliminated, training provided by the PES itself and many have contracted it out on the basis of a public tender to private and public suppliers. Provided the tendering process puts the PES training provider on an equal footing with the private training providers, this is clear case of contestability. One can conclude, therefore, that the contestability issue is not a matter of principle which divides OECD member countries. It is simply a matter of degree. Most countries go only some way down this route by restricting contestability to training measures whereas the Netherlands and, even more so, Australia go much further.

It has to be mentioned, however, that the contestability concept is sometimes used in a much broader sense. For instance, the concept may comprise the above example where only private (but no public) providers exist from which the government purchases services on the basis of a public tender, or there may be only one private provider from which the government purchases services on the basis of an administratively fixed price but lowers this price when it considers that newcomers may be able to offer the services on these terms. In this broader concept the public provider is not directly contested, but the purchase of a government service is still undertaken on the basis of market criteria.

An even broader definition of contestability was used by the discussant of this agenda item, Marcel Egger, Cap Gemini-Ernst & Young, who compared competitive arrangements between local labour market offices in Switzerland with the contestability approaches of Australia and the Netherlands. The basic idea is that the federal government ranks placement offices by performance and – after controlling for other influences, notably local labour market characteristics – pays each canton according to performance of the placement offices under its management. Direct competition between distinct provider organisations is not visibly present in the sense that it is in Australia. However Egger argues that this approach is comparable with the approaches of Australia and the Netherlands, in that competition between service providers is potentially instigated and public money is spent on the basis of performance.

The general discussion revealed that the issue of whether or not it is desirable to "contest" the PES as an institution, is for the majority of OECD countries an unresolved matter. Some countries have seriously considered but finally not adopted such a reform. This is the case, for instance, in the United States (*cf.* the very informative appendix to the paper by Balducchi and Pasternak). In the United Kingdom, also, the approach had many sympathisers but was finally not followed because of the fear that the link between placement work and monitoring benefit entitlements might get lost. Finally, several countries "do not believe" in competition as a means of checking costs and improving outcomes; they regard co-operation and partnerships as a more appropriate means for achieving these results.

The issue of contestability and privatisation was also raised at the final Round Table where some Ministers feared that bringing in private providers would inevitably lead to the most easy-to-place unemployed being catered for by the private providers and the difficult-to-place being left to the public providers ("cherry picking"). This risk is addressed in the Australian approach by attaching a significantly higher price tag to the placement (and job attachment) of the difficult-to-place jobseekers. It underlines the importance of defining and distinguishing between the services which the Government intends to purchase (such as matching services for the easy-to-place as distinct from reintegration services for the difficult-to-place) and to organise a tendering, contracting and payment method suitable for each type of service. Whether this will be sufficient to avoid cherry-picking,

however, will depend, among other things, on the reliability of identifying early in the unemployment spell those who are likely to be difficult to place, *i.e.* on the profiling technique.

The radical labour market reforms of Australia, and the planned reform of the Netherlands, are being followed with great interest by the other OECD countries. The Secretariat was encouraged to follow these developments closely and the conference was informed about a forthcoming labour market review of Australia by the OECD. There was general agreement that in order to overcome the ideological connotations of this debate, a balanced and objective judgement was needed on whether these new policy models achieve better results than the traditional approaches. Since these reforms are so radical, however, such a judgement can only be made after the passage of time when perceptions, institutions and behaviour in the pioneering countries have adapted to the new parameters.

6. Conclusions: what are the signposts for the future?

The Internet is obviously changing the future role of the PES but – as in most other areas of the current technology revolution – nobody knows what the final result of the changes will be. There was general agreement, however, that the PES will survive as a public institution and continue to play an important role in the labour market.

It may well happen that the PES will retreat from the general broking function due to the rapidly falling costs of obtaining labour market information. Coupled with these information flows come new possibilities of job search and vacancy filling which are emerging spontaneously on the Internet and are strengthened by a wide range of self-service devices put in place by the PES itself. Thus, one of the basic justifications of the PES in terms of market failure arising from high costs of information, might disappear because of the Internet.

However, access to information, at least to vacancy information, may still be restricted if access to the Internet is not universal. The costs of the new technologies may be low but they are not zero and the required know-how to use the new facilities is not a free good either. The PES, therefore, may change its role in the future by no longer providing broking services *per se*, but offering free and easy access to Internet facilities and training jobseekers in using the Internet to find work.

A different scenario might be that the sharp drop in the costs of obtaining information will wipe out the business opportunities of many private placement and recruitment firms. In this perspective, the PES may be able to increase its market share and serve more customers than today. While the average service intensity per customer would be lower, the PES would move closer to being a big clearing house in the labour market. Monitoring a significant number of labour transactions in the economy would have positive ramification in other areas, such as providing guideposts for vocational educational and training, signalling regional labour market imbalances, documenting work force adjustments to structural change. Moreover, an extended knowledge base of the PES would permit a more effective in-depth treatment required for the labour market integration of disadvantaged groups and the processing of difficult-to-fill vacancies. Nevertheless, such a scenario would only be viable if the PES could play this role of a clearing house without developing into a gigantic bureaucracy. Here again, the new information technologies may make this possible.

While it is uncertain, therefore, how the overall market share of the PES will evolve, the deliberations at the conference have clearly shown the increased importance of assisting problem groups and mobilising new labour resources or helping in their adjustment to changing market needs. One important reason is the *ageing* of the labour force. The inflow of young people into the labour market is naturally tilted towards the expanding sectors and the newly emerging skills and occupations

of the economy but this inflow is now smaller than in the past. Hence, there will be an increased need for prime-age and older workers to move from the shrinking to the expanding sectors and for those with obsolete skills to acquire new ones.

Apart from the ageing of the labour force, there are two main trends associated with globalisation which will affect future PES operations:

- The need for greater occupational and regional mobility due to shorter product life cycles and rapid restructuring of production within and between countries.

- The likely persistence or even increase of inequalities.

Since labour is much less mobile than capital, it tends to bear a greater displacement burden in response to shocks. This, as a German policy maker observed, was starkly illustrated during German unification where the burden of the adjustment had to be borne by the labour market, challenging the PES and other labour market authorities more than any other part of government. Not surprisingly, therefore, public concern about labour displacement and inequalities caused by globalisation is growing in many countries and there is fear of a popular backlash and renewed calls for protectionism. Such fear will only be overcome if mechanisms can be found through which the winners compensate the losers. Taxing the winners and providing income support to the losers is not enough if the losers are condemned to doing nothing. Therefore, the PES and the kinds of policies discussed at the conference should be viewed as a key instrument in overcoming some of the most significant side-effects of globalisation.

The key to maintaining employability and labour force attachment of displaced workers will be the build-up of human capital. The PES – together with the educational institutions – will have to find new methods for adults to obtain requisite skills. Several speakers referred to the potential of "web-based learning" in this context. The PES should be at the forefront in exploiting this potential since these new learning opportunities can be fine-tuned to the needs and learning potential of the trainees to a degree that was never possible in a classroom setting. Therefore, the PES could better than in the past respond to both the individual characteristics and difficulties of the jobseekers and the ever changing need for specialised skills, aptitudes and competencies sought by industry.

In coping with the risk of benefit dependency, the most important lesson from the recent past is that opportunities and incentives must be right and that benefit recipients have their rights and duties in *i)* accepting suitable jobs; *ii)* undertaking independent job search; and *iii)* participating in labour market programmes. Many countries could improve PES performance by a more rigorous implementation of their unemployment benefit legislation. Under the present favourable economic conditions, political resistance to such a tightening in the implementation of the law may weaken as the availability of vacancies improves and some labour shortages emerge.

The new line in managing labour market programmes, as it has emerge at the conference, is for measures to be "selective and voluntary up to a defined date in the unemployment spell – universal and compulsory thereafter". This formula seems a reasonable signpost for the future. In many countries, the stock of long-term benefit recipients – either in the unemployment or the welfare area or both – is a legacy from the past and needs to be resolved. Universal and compulsory measures seem to be the only option to avoid the risk that economic growth passes by these groups. At the same time it is imperative to be careful in what can and what cannot be demanded from people who have been out of work for a very long time. Equally important is the need to measure the success of policy by the reintegration of the long-term unemployed into unsubsidised market jobs.

The need for accountability will persist. One reason is the decentralisation and the involvement of additional actors in PES operations and labour market policies. While opening up new opportunities for job creation and optimal labour allocations, there is a risk that this trend could lead to labour market segmentation. This would be counterproductive since the very purpose of the PES is to achieve market clearing at the national level and to some extent even at the international level – as the conference was reminded by Juhani Lönnroth from the Commission of the European Union referring to the European Employment Service. Therefore, the accountability of the decentralised agencies to the central PES office in terms of policy choices, spending levels, methods of implementation and vacancy and jobseeker information will remain indispensable in the future.

Another reason for accountability is the fact that public spending in modern welfare states has reached a level where checks and balances at various levels are permanently required. Checking the cost-effectiveness of labour market interventions through contestability is only one option. It is likely that many countries will continue to prefer co-operation over competition. But, even if that proves to be the case, co-operation must be checked as well in order to avoid collusion of interest between different service providers or public agencies. Local partnership agreements, for instance, as one delegate observed, may be reached between two local actors in order to preserve their interests but this may happen, explicitly or implicitly, at the expense of the interests of a third party.

There are many ways in which accountability can be applied. Rigorous programme evaluations and demonstration projects as they have become customary in the United States, occasional audits as described in the Secretariat background paper to the conference, management-by-results based on multivariate performance indicators as used by Switzerland and peer reviews as practised at the OECD, all have a role to play in achieving the highest possible degree of transparency and justification for public spending on PES operations and related labour market policies. Several improvements of current techniques are still required. One example is performance measurement. Jaap de Koning observes in his paper that the use of placement rates to measure performance is "totally inadequate and can even be misleading". Yet, placements are not only used for management-by-result and budget allocations; in the contestability approach they also form the basis for tendering and contracting placement and reintegration services. More research and international exchanges of experience on performance measurement, therefore, would be useful and of direct help to Member governments.

NOTES

1. By Peter Schwanse, former member of the OECD Secretariat.

2. "Selective" and "universal" refer to the offer of programmes, "voluntary" and "compulsory" refer to the acceptance by the unemployed. As shown in the main text several combinations of these four characteristics are possible and can actually be found among OECD countries.

BIBLIOGRAPHY

MARTIN, J.P. (2000), "What Works among Active Labour Market Policies: Evidence from OECD Countries' Experiences", *OECD Economic Studies*, No. 30, pp. 79-113, Paris.

OECD (1999), *Implementing the OECD Jobs Strategy: Assessing Performance and Policy*, Paris.

LABOUR MARKET POLICIES AND THE PUBLIC EMPLOYMENT SERVICE MAIN CHARACTERISTICS AND NEW CHALLENGES

OECD Secretariat

1. Introduction

The OECD Secretariat's comparative reviews of the Public Employment Service (PES) in the 1990s focused on the "three main functions attributed to the PES: the job-brokerage or placement function, the provision of income support to jobseekers, and the improvement of the skills and employability of jobseekers through labour market measures such as training and job creation" (OECD, 1993*a*). Under this broad definition, the PES consists of the main public institutions which deal with labour market problems (particularly unemployment, but also problems such as hard-to-fill vacancies) on an individual basis.[1]

Part way through the 1990s the *OECD Jobs Study* (OECD, 1994) made recommendations in a wide range of areas including macroeconomic policy, labour cost flexibility and employment security provisions, the entrepreneurial climate and labour force skills. It is interesting to consider further the three main points which were developed under the heading "Improve the functioning of the PES":

- Integrate three basic functions under the PES: placement and counselling services; payment of unemployment benefits; and management of labour market programmes.

- Ensure that claimants remain in regular contact with the PES, and that they maintain job-search efforts.

- Eliminate the monopoly position of the PES. There is a complementary role for private placement agencies as well as temporary work agencies. Require that the PES compete in the market for short-term placements (in order to increase the flow of vacancies).

In each of these areas a considerable number of OECD countries – though not necessarily all those countries for which a recommendation was relevant – have acted forcefully and effectively during the 1990s. At the same time, policy perspectives have continued to evolve. Functional integration of placement and unemployment benefit administration is seen largely as a matter of ensuring that the labour market conditions for benefit eligibility are appropriate and are implemented. Under the theme of regular contact with the PES, there is growing confidence that various strategies for "intervention" in the unemployment spell can have a major impact on unemployment. Many countries have now removed the PES monopoly in job broking, and some countries are now introducing competition into the publicly-financed provision of intensive reintegration services for the unemployed who need additional help. Further developments during the 1990s (discussed in OECD,

1996 and 1997*a*, upon which parts of the discussion here are based) include improved evaluations of labour market programmes, the use of profiling (*i.e.* jobseeker classification) techniques, internal performance indicators, information technology and institutional reforms such as decentralisation, local partnership and "one-stop" arrangements.

This paper describes the main operational methods and PES strategies to be found in OECD Member countries, with comments on international variation in the approach, and sets out some of the underlying policy issues. Section 2 considers the job-broking and related functions and other basic service issues, including the role of self-service, information technology (IT) and placement targets. Section 3 considers strategies for intervention in the unemployment spell. Section 4 asks how subgroups of the unemployed can be identified, either on a categorical basis or using more sophisticated profiling techniques, for additional assistance and interventions. Section 5 deals with the role of labour market programmes within the overall strategy. Section 6 considers resources for PES administration while Section 7 addresses the institutional structure of the PES under the three headings of integration of benefit and placement work; tripartism, decentralisation, and one-stop shops; and contestability and purchaser/provider arrangements. The final section draws some conclusions for policy in this field.

2. The job-broking function

2.1 Vacancy registration

In most countries between 10% and 50% of all new hires in the economy are preceded by the registration of a vacancy with the PES (Table 1). In order to achieve its objectives, both in terms of effectively working labour markets and social equity for disadvantaged groups, it is often considered vital for the PES to register as many vacancies as possible. How can the PES increase the quantity and quality of vacancy registrations? Experience in Member countries suggests a number of factors:

- An increase in the number of local offices, in France in the 1970s and Korea in the 1990s for example, greatly increased the number of vacancies registered.

- Marketing and services to employers can increase vacancy notifications. Publicity and mail shots, personal visits to local employers, the principle of a single contact person for each employer and industrial specialisation of employment counsellors, and a clear vacancy notification procedure with rapid and expert advice (*e.g.* on how many candidates are likely to be available depending on the wage offered) are often cited as good practices.

- The employment service can register vacancies advertised elsewhere. Often the majority of publicly-announced vacancies are advertised in local newspapers. In Norway, employers have a legal obligation to notify vacancies to the PES, which is not enforced but allows the PES to include newspaper advertisements in its database and disseminate them without having to ask the employer for consent. The PES can also invite private employment agencies to advertise vacancies on its notice boards or computer system, an arrangement which benefits all parties.

- The employment service need not limit itself to longer-term jobs. Repeated temporary placements often lead to an offer of a permanent job, and consequently it is in the interest of the PES to handle short-term work. In some countries this market has been abandoned

Table 1. Basic PES flows, stocks and market share indicators

		PES administrative data		Labour market data		Derived performance and market share indicators[d]				
		Vacancy registrations[a]	Placements[b]	Dependent employment	Monthly hiring rate[c]	PES placements / PES vacancies	PES vacancies / Dependent employment	PES placements / Dependent employment	PES vacancies / Total hirings	PES placements / Total hirings
		Annual, 000s		000s	%	%	% per year		%	
Austria	1994	256	..	3 226	1.8	..	8	..	37	..
Belgium	1995	149	109	3 000	1.1	73	5	4	38	28
Denmark	1993	157	82	2 274	3.0	52	7	4	19	10
Finland	1994	145	76	1 703	2.2	52	9	4	32	17
Germany	1994	3 133	2 347	32 095	1.6	75	10	7	51	38
Greece	1996	..	8	2 101	2.3	..	..	0	..	1
Ireland[d]	1996	45	17	1 044	1.6	38	4	2	22	8
Korea[e]	1998	335	138	13 043	1.7	41	3	1	13	5
Japan	1994	5 465	1 448	52 360	1.7	26	10	3	51	14
Netherlands	1994	272	174	5 817	1.7	64	5	3	23	15
Portugal[f]	1996	73	43	3 201	1.4	59	2	1	14	8
Spain	1994	534	495	8 620	2.2	93	6	6	23	22
Sweden	1994	341	160	3 491	..	47	10	5	..	..
Switzerland	1993	44	22	3 385	1.5	50	1	1	7	4
United Kingdom	1994	2 537	1 927	21 790	2.5	76	12	9	39	29
United States	1996	6 038	2 205	116 040	..	37	5	2	..	..

.. : Data not available.

a) Vacancies notified to the PES by employers (in Denmark, also vacant positions advertised in newspapers and used by PES). Notifications of hiring are not included. Vacancies for jobs lasting only a few days are often excluded. Vacancies for subsidised jobs are normally excluded, but often they overlap with regular vacancies.

b) Placements by the PES. Countries may use different definitions, usually PES vacancies, as described above, which have been filled with the active help of the PES, or placements into vacancies notified to the PES which have been filled by PES registered job-seekers. For Ireland, placements refer to vacancies filled through FÁS (Training and Employment Authority) and are subject to under-recording.

c) Monthly new hirings as a percentage of dependent employment. Estimates for OECD countries are based on a combination of data from labour force surveys (job tenure less than one year, number of job changes in the last three months), employer surveys (number of external hires, new employment contracts in the private sector) or administrative records of hirings kept by the PES. The Korean figures are based on surveys showing the annual "accession rate" in firms with 10 or more employees, using the simplified assumptions that turnover is similar in smaller firms and that a small number of job starts consists of transfers within the same company or establishment. For Greece, hiring data are based on notifications by employers to OAED (Manpower Employment Organisation). For Ireland, the monthly hiring rate is extrapolated using annual data for advertised executive vacancies. For Portugal, the monthly hiring rate is based on the Structured Employment Survey estimated from IEFP (Institute for Employment and Vocational Training) assuming public administration is 20 per cent of dependent employment.

d) Vacancy and placement data exclude Community Employment positions.

e) Vacancy and placement data refer to the chain of PES offices administered by the Ministry of Labour.

f) Data for Portugal refer to the continent only, except for the stock of registered vacancies and ratios involving this stock which includes the Islands.

Sources: OECD PES database; OECD (1999), *Labour Force Statistics*, for dependent employment.

or lost to private sector competition. The Netherlands with Start, and Belgium with T-service Interim, have found a niche for agencies which specialise in temporary placements of the unemployed, working in co-operation with the main PES institutions.

- Employers often cite the poor skills or motivation of candidates from the PES as their main reason for not notifying vacancies. Intensive placement work, to ensure that only candidates who can do the work in question and accept the working conditions in principle are referred, may be vital for success in some parts of the market.

Vacancies can be matched to jobseekers on a closed basis, or advertised on a semi-open or fully-open basis.

- In a closed treatment, the employment service identifies the required number of suitable jobseekers from its registers and refers them to the employer.

- In a semi-open treatment, vacancies are advertised but without full employer contact information: an interested jobseeker must then contact a PES counsellor to get contact information.

- In a fully-open treatment, vacancies are advertised with full employer contact information and the employment service has no control over who and how many people apply.

A closed treatment can have advantages in terms of speed and improving the jobseeker register (see Section 3.1). The advertising procedures allow non-registered jobseekers to apply for vacancies, and they tend to ensure that applicants are motivated, since they have taken the initiative in applying. Fully-open advertising procedures are cheap to operate, since applications take place without staff involvement, and may be preferred by some jobseekers. Semi-open advertising procedures require staff input, but they allow the counsellors to intervene more effectively: they can carry out light screening of applicants, limit the number of applicants for a vacancy, track applications made by people on the register and get feedback from them about, for example, inaccurate or incomplete vacancy details.

Many employment services combine closed, semi-open and fully-open vacancy-handling strategies in various ways:

- Employers may be invited to choose between a semi-open or fully-open display of the vacancy. They may prefer a closed treatment – where the employment service interviews candidates before forwarding the most appropriate ones – but the employment service often lacks time for this.

- The employment service may try more than one technique to fill a given vacancy. For example, in the United States vacancies may be first kept closed for 24 hours while a match to unemployed veterans (people who have done military service) is attempted, and subsequently released into general advertising (OECD, 1999*a*).

- Semi-open or fully-open advertising of vacancies does not preclude direct matching by searching across vacancies to find ones that are suitable for a particular unemployed person. In Flanders (Belgium), although more than 90% of registered vacancies are advertised on a fully-open basis, direct referrals by employment counsellors account for

a quarter to a third of the job applications that are made in response to registered vacancies.

2.2 Cleaning the register

"Clean" registers are a vital input to both benefit administration and placement work. Vacancy notices need to identify the employer's requirements accurately if they are to be filled effectively. A common complaint among jobseekers is that advertised vacancies have already been filled. The PES therefore needs to encourage employers to report when vacancies have been filled, and recontact employers regularly to find whether their vacancy has been filled and, if not, whether the employer will agree to changes that will facilitate a satisfactory match.

When the PES does not have resources or a mandate for frequent contacts with the unemployed, its records may increasingly include people who have already started work or are no longer living at the address under which they registered. This problem got out of hand in the Netherlands in the mid-1980s – where the term "file pollution" referring to the placement service register was coined – and in Ireland in the mid-1990s. Keeping the unemployment register "clean" cannot be a purely formal or internal activity. It involves substantive verification of register status by various means (*e.g.* interviews with the person, automated checks against other administrative registers).

2.3 Self-service

A self-service approach to PES provision has become very common. Vacancies are displayed mainly on a fully-open basis and a variety of other labour market information (such as advice on different careers, the possibilities and practical requirements for seeking work abroad, available training courses and requirements to qualify for them) is made available through various self-service media (leaflets, computer terminals, etc.) from the start of the unemployment spell. If jobseekers are promised no additional help later in the spell, and at the same time benefit duration is relatively limited and there is a good availability of job openings, motivation to find work through independent search is often adequate. Countries such as Japan, Norway and the United States have been able to keep unemployment low for long periods while giving most jobseekers only limited personal attention (except for some job-search monitoring in Japan and the United States) during the early months of unemployment. In support of this approach it can be argued that a more "active" strategy where additional services (such as direct referral to jobs, personal counselling interviews and training) are offered, might in some cases lead people to think it is easier to let to the PES do the work of searching and to expect that more attractive offers (better jobs, retraining in a preferred occupation, etc.) will be made if they wait. At the same time, where the labour market is buoyant (which is consistent with high inflows to unemployment and high outflows from it, unemployment spells being short) and especially where the PES is under-resourced, reliance on self-service is often essential for cost reasons. A counter view would hold that leaving further PES interventions until unemployment has continued for many months may increase the risk of "scarring" by the experience of unemployment.

2.4. Information technology

During the 1990s, job matching technology made further rapid progress with self-service access to vacancies through computer screens within PES offices (and other devices, such as local

television or telephone call lines) becoming increasingly widespread. In the new decade, the focus has shifted to Internet, which allows people to access vacancies nation-wide or even world-wide from their homes, or from dedicated terminals within PES offices. Greater ease of use and scale economies are increasingly justifying the provision of additional on-line facilities such as direct employer entry of vacancy details, databanks where jobseekers can post their CVs, access to a national register of training programmes and on-line education and training.

In this context, the transaction costs hindering the matching of jobseekers to jobs may be fading away for the literate majority of the labour force: vacancies which are notified to the PES but not advertised on the Internet may eventually become relatively rare. However due to factors such as geographical mismatch, skill deficits, and the fact that jobseekers may wait until a vacancy that is better paid or closer to home is advertised, unemployment will continue to arise and require the attention of employment counsellors.

The PES also has internal records, which may cover factors such as individual employment histories, personal answers to a registration questionnaire, notes from counselling interviews and referrals to vacancies, and benefit entitlements and payments made, etc., and some of these records are confidential. Effective IT systems allow counsellors to rapidly input and access these internal records. They may also pick up information (*e.g.* on hirings) from other registers, provide rapid access to a range of local office performance indicators, and facilitate the exchange and sharing of information between the placement service and benefit administration. Another application under development in some countries is the PES "Extranet", used for the exchange of information with and among external providers, who may for example use it to keep abreast of the latest changes in contracting procedures, or to share information concerning a particular client with another provider of specialised services.

2.5 Placement targets and other performance indicators

The development and use of performance indicators has become very common during the last decade for two main reasons: the desire to raise administrative efficiency in the public sector in general, and the trend towards decentralising PES services to the regional and local level while maintaining basic policy and financing functions at the central level. Examples of quantitative performance indicators and targets include: the number or market share of vacancies notified, the speed with which vacancies are filled, the speed with which new benefit claims are processed, the share of groups with specific employment handicaps in total placements, the number of visits of PES staff to local employers, and the employment rate of workers having completed ALMPs. Additional qualitative targets may also be used, with assessment on a judgmental basis.

One crucial issue is the significance of the number of placements as recorded by the PES, *i.e.* the flow of jobseekers (perhaps counting only registered jobseekers) into registered vacancies. It is not easy to record PES placements in an objective way. Figures for the Netherlands, for instance, show that the number of placements recorded by the PES is about three times the number of workers who declare they have found a job thanks to the PES (Dercksen and de Koning, 1996). Thus, the "gross" number of placements has to be distinguished from the "net" number and may not be a good measure of the effectiveness of the placement service (Walwei, 1995). Also, it can be difficult to measure placements achieved through self-service, since clients' use of the facilities is often not registered and thus cannot be tracked. Some countries use data on new hires (*e.g.* from social security records) for tracking placements (as well as for keeping the register "clean", see above). Administrative reporting (*e.g.* on how often the careers service is consulted, how often a computerised vacancy database is accessed, etc.) and surveys can also help document how often various types of self-service are used,

although these techniques may not measure the final impact or provide information rapidly and at local level.

Even if measurement difficulties are overcome, total PES placements (usually measured relative to something aggregated over the whole economy, *e.g.* total hirings or total unemployment) are not by themselves an adequate overall indicator of performance. Nevertheless, some of the shortcomings can be overcome:

- Aggregate placement rates can be increased by concentrating on "easier to place" unemployed, leaving aside long-term and disadvantaged unemployed. Because the latter group needs PES help the most (the "easy to place" would often have found work even without PES help), such an outcome may be counterproductive. To avoid this outcome, performance measurement systems need to give additional weight to the placement of target groups or use placements of the long-term unemployed and some other target groups (*e.g.* the disabled) as a supplementary indicator[2] (see Section 4.2 for a discussion of targeting).

- PES placements may take an individual out of unemployment for a period that varies from a few days to many years. Performance measurement systems need to give additional weight to stable returns to work (though recognising that short-term work may contribute to this), or use the frequency of re-entry to the unemployment register following reported placement as a supplementary indicator.

With some modifications along these lines, it may be possible to retain a relatively simple message for front-line staff that placements are "a good thing". But management needs to be aware that the underlying long-term objective is stable entry to work, and not PES placements.[3]

The main placement indicators often focus on return to work by the unemployed with benefits. However, the PES also serves job changers and unemployed workers without benefits (*e.g.* new entrants), and provides services where immediate entry to work is not the main objective (*e.g.* vocational guidance, training). High-quality internal information management is needed to allow a variety of detailed indicators for performance and background conditions at local office level to be collected and accessed at low cost.

3. Interventions in the unemployment spell

Contacts with the unemployed are sometimes limited to those which document the person's employment status,[4] but most of them aim mainly at increasing the chances of a return to work. In some countries, additional forms of intervention have been introduced in recent years to "activate" the unemployed. Even if most unemployed return quickly to work through their own initiative, intervention measures – possibly of a voluntary but more pointedly of a compulsory nature – can make a critical difference for some whose own initiatives are otherwise ineffective or too few, and who thus risk becoming long-term unemployed. Some countries clearly have a higher overall frequency and intensity of interventions in the unemployment spell than others, and arguably only those countries which have a relatively high frequency and/or intensity of intervention are able to combine long-term unemployment benefits with a low incidence of long-term unemployment. Full testing of this hypothesis remains, however, difficult because the forms of intervention used vary considerably between countries, and little systematic summary information about them is available.

3.1 Regular interventions in the unemployment spell

Many requirements, for reasons of administrative simplicity and equity, apply uniformly to all jobseekers (with certain clearly-defined exceptions), so that it is to some extent possible to speak of a country's standard strategy for contacts with the unemployed. Responses to an OECD questionnaire on "Interventions in the Unemployment Spell Managed by the Public Employment Service" in 1999[5] provide an overview of these standard strategies.

Initial registration for placement is in most countries a precondition for benefit payment. There are some exceptions: in the United States, people who are temporarily laid off with a specific date for recall by their employer are considered to be unemployed but generally do not have to register for placement at all. In France, initial registration takes place with the benefit organisation which transmits the details to the placement service electronically, so that personal contact with the placement office does not take place until the detailed registration interview (see below). In Australia, after registering a claim the unemployed have 14 days to register with at least one placement service provider. Benefits can also be paid for unemployment that occurred up to eight days prior to the date of registration with the placement service in Belgium, 15 days in Spain, and up to four weeks in Canada, subject to a waiting period. In some other countries, because of waiting periods, the period of entitlement to unemployment benefits only begins a few days or a week after initial registration with the placement service.

When prior registration for placement is a precondition for benefit entitlement, the first intervention in an unemployment spell can be an attempt at placing applicants immediately. so that there will be no need to process the benefit application further. Only about one third of OECD countries positively affirm that the placement service sometimes attempts placement at initial registration.

Usually a separate ***detailed registration interview*** takes place up to a week or more after initial registration. Detailed registration interviews are traditionally used to get information about individual circumstances (this is now normally in terms of computer codes for the individual's qualifications, constraints on hours and travel, wage aspirations and other personal ambitions, etc.) that is accurate and detailed enough to serve as a basis for direct referral of the jobseeker to specific vacant jobs. However countries where most of the unemployed are expected to rapidly find work on a self-service basis may consider that it is not necessary to gather information at this level of detail. The detailed registration interview may also be used to introduce the self-service facilities and to explain the rights and duties of the unemployed. In Austria, France, New Zealand, and the United Kingdom, it is used to establish an individual action plan from the start of the unemployment spell, and in Switzerland, the second and sometimes the third of the regular fortnightly interviews are similarly used to establish a back-to-work plan. The Netherlands (where the interview may take over 60 minutes) and Australia use this interview to implement a profiling instrument, which classifies jobseekers into categories that determine what level of service will be offered to them.

Only Flanders (Belgium), Greece, Japan, Portugal, and Spain stated that the detailed registration interview takes place the first time that a jobseeker calls. A majority of countries conduct these interviews within a week of initial registration, but a number [Austria, Wallonia (Belgium), Denmark, Finland, New Zealand, Poland, Sweden and Switzerland] allow delays of up to two weeks or more to occur. In Denmark, national rules allow a four-week maximum delay before the detailed registration interview in general, but reduce this to two weeks for workers in bottleneck (*i.e.* labour shortage) areas.

In Canada, no detailed registration interview takes place, although new benefit claimants attend a group information session on jobseeker rights and obligations. Some US states also use group intake procedures. Given the short duration of unemployment spells in these countries, detailed registration of all new claims would take up a large proportion of the staff time available for contact with the unemployed. Korea reported that, because of the recent dramatic increase in unemployment, it was not possible to conduct registration in any detail in 1998 (interviews were restricted to five to ten minutes).

Overall, a large proportion of countries pay benefits for some days of unemployment prior to the detailed registration interview and a few countries pay benefits for days that occurred even prior to initial registration with the placement service. Clearly, some opportunities for matching the applicant with suitable vacancies will be missed during these periods. Also rights to benefit will often have accrued, but not yet been paid, at the time of the detailed registration interview: this may affect the perceived incentive to immediately take up a new job. The details of what happens at the beginning of unemployment spells, and the potential impact of tighter procedures, should be examined from a cost-benefit point of view.

Regular signing-on or confirmation of status in order to apply for continuation of benefit payment takes place weekly in a few countries (New Zealand and many states of the United States), fortnightly or monthly in most countries, and only once every three months in Spain. No such procedure is used in Czech Republic and Germany.[6] In the Netherlands (for assistance benefits) and in Hungary, the reporting interval can be decided by the local administration.[7]

Basic reporting is done by telephone in New Zealand and many areas of Canada and the United States, and by mail in Denmark, Finland, France, Norway, Portugal, Sweden and other areas of Canada and the United States. However, slightly more than half the countries surveyed – Australia, Austria, Belgium, Greece, Iceland, Japan, Hungary, Korea, Luxembourg, Netherlands, Poland, Spain, Switzerland and United Kingdom – require in-person visits, usually to employment offices, for these frequent benefit continuation procedures.[8] The in-person visits are often used also for other types of contact such as job-search reporting, checking the vacancy register for possible referral of the person to an employer, delivering labour market programme information and vacancy advertising, and even noting incidental evidence of undeclared work (*e.g.* if the person reports in work clothes or only at lunchbreak times).

Countries where in-person visits are not required for basic reporting need to consider whether the overall frequency or intensity of personal contacts is relatively low – or too low – as a result. Countries where in-person visits are required need to recognise that they are costly for the unemployed person but also create an opportunity, which should be used effectively, for the PES to encourage job search and deliver information and services.

Procedures for ***reporting and review of job-search efforts*** vary greatly across countries. Seven OECD countries (Belgium, Czech Republic, Finland, Greece, Hungary in most counties, Luxembourg, and Spain) have no general procedures for reporting independent job search. In nine more (Austria, Denmark, France, Germany, Iceland, Norway, Poland, Portugal and Sweden), job search is reviewed relatively infrequently, often as one topic in general intensive interviews; and in six (Australia, Korea, the Netherlands, Switzerland, United Kingdom and the United States) the person's job-search initiatives have to be listed frequently as part of basic claim continuation procedures described above. Countries differ as to whether verbal accounts, lists of the employers contacted, or reports from employers acknowledging job applications and other documents (*e.g.* letters of application) are required as evidence of job search. In Canada and New Zealand, although most clients only have to confirm that they are actively seeking work a small proportion are required to report their

job applications. In Japan, clients have to tick off boxes for methods used, such as "asking acquaintances", monthly.

Korea requires at least one application in the two-week reporting period, and the other five countries which require frequent reporting, as well as Iceland, require four to eight employer contacts per month as a typical figure or an average, although variation both below and above this range can occur according to individual and local circumstances. Iceland and the United Kingdom, in particular, make it clear that other steps (*e.g.* preparation of a CV, investigation of training courses, etc.) can also be counted as acts of job search. Countries with relatively infrequent monitoring of job-search efforts appear, with the possible exceptions of Austria and some regions in Germany, not to specify in advance any particular frequency of job applications.

Probably in all countries, a large proportion of the unemployed can be expected to conduct a significant amount of independent job search. An occasional review of these efforts therefore seems justified. Intensive monitoring, where minimum frequencies of jobs search actions are specified, probably works better for some individuals and local labour markets than others and there is a risk that it may push some people too quickly into jobs that are inappropriate: a rigid system may have to be implemented flexibly and a system that formally takes account of individual circumstances may be rather complex. Nevertheless, a well-managed system of intensive monitoring will probably be beneficial.

The frequency with which jobseekers receive ***direct referrals to a vacant job*** (*i.e.* referrals where the placement service takes the initiative in suggesting that the jobseeker should apply for a specific vacancy) is partly determined by choice of job-broking procedure (see above) although it also varies sharply with the state of the labour market and the proportion of vacancies that are notified to the PES. Some PES computer systems record specific steps in the placement process, for example distinguishing vacancies suitable for filling by referral from others that should only be advertised (in Denmark and Finland) or recording the number of preselection interviews occurring at employment offices (in Denmark and Portugal). In Finland, although there is a formal procedure for entering direct referrals into the computer system, employment officers often make direct referrals without using it. As these examples illustrate, direct referrals are not often a standard item of statistical record. Indeed the PES often has no central knowledge about how often they are made. A number of countries were nevertheless able to provide a rough estimate, or information which allowed the Secretariat to make one.

Canada was the only country to report no use of a direct referral procedure.[9] Elsewhere, according to rough estimates, the registered unemployed receive (on average) less than one direct referral per year from the PES in Finland, Poland, Portugal and the United States, one to two in Belgium, Denmark, Korea, Spain and the Netherlands, three to six in Austria, Norway, Sweden and Switzerland, and about ten per year (*i.e.* nearly one per month) in Luxembourg. These referrals – normally implying an obligation to attend a job interview with the employer – can therefore clearly be an important type of "intervention" in the spell, at least for any unemployed person who is not taking many other initiatives.

Preselection interviews at the local PES office in relation to the referral, prior to the interview with the employer, are not generally made in Czech Republic, Finland, the Netherlands, Norway and Sweden. These countries, which usually transmit the employer contact details to the jobseeker by telephone or mail, consider information on the register to be an adequate basis for accurate referral of jobseekers to vacancies. In Denmark, Greece, Hungary, Luxembourg, Portugal and Spain, a preselection interview with the PES normally occurs: in Greece, Portugal and Spain this may be done in order to further check the person's appropriateness for the job, but it may also be to coach

the applicant (Luxembourg) or provide a letter of introduction (Korea). In Austria, Korea and perhaps some other countries, direct referrals arise mainly through selection of a suitable vacancy from the register of open vacancies by the employment counsellor during regular scheduled interviews, so that the question of a distinct preselection interview does not arise.

Among the OECD countries that report use of a relatively well-defined direct referral procedure, about half (Czech Republic, Denmark, France, Germany, Norway, Poland, Portugal, Spain, Sweden and Switzerland) quite often or usually get detailed feedback from the employer on the outcome of job applications following a direct referral. Commonly the employer is asked to send in a written report on a PES form, but response rates vary and the employment service also usually follows up some of the referrals by telephone calls to employers. But France, Germany, the United Kingdom and probably some other countries only use a telephone follow-up procedure. In Austria and the Netherlands (where only a proportion of employers are asked to report), as well as the Czech Republic, Germany, Poland, Portugal and Sweden, unemployed people are required to report why they have not been hired. In the latter group of countries, the PES receives reports on the outcome of job applications from both the employer and the unemployed person, which gives it maximum amount of information about the employer, the vacancy, and the jobseeker.

In another half of countries, follow-up of direct referrals is less precise. Either employers are not asked to report on individual outcomes (*e.g.* employers may be asked after some time whether the vacancy was filled and by whom, but not about individual candidates) or employers are asked but response rates are rather low.

Generalised use of direct referral procedures can speed the matching process: in principle, the majority of jobseekers in a local area who are suitable for a new vacancy can be informed of it within 24 hours, which is unlikely to occur if the vacancy is only advertised on a notice board or computer support. Alternatively, the use of direct referral procedures can be targeted on jobseekers who are thought to be making few realistic job applications on their own initiative. Successful referrals require careful selection of candidates, good communications with employers, and background work on the quality of information entered on the jobseeker and vacancy registers. Feedback on outcomes provides information about the vacancy and the jobseeker, which allows the employment service to be more effectively engaged in the hiring process, and in particular, improve register information.

Intensive interviews (in addition to the detailed registration interview) are important additional form of intervention in most countries. In a few countries (Korea, Japan, Switzerland and Spain) they are not distinct from the regular visits for continuing the benefit claim,[10] which may be extended into a lengthy interview on certain occasions. A few countries (Australia, Finland, Netherlands, Spain, and the United Kingdom) have a fixed schedule of interviews at specific durations of unemployment. A few more (Austria, Denmark, Germany, New Zealand, Norway and Sweden) have a fixed rule for the maximum interval between interviews, with the possibility that interviews are more frequent in individual cases. Estimates which attempt to report the number of intensive interviews on a standardised basis (with 30 minutes as a standard duration,[11] and including interview-like discussions associated with the benefit continuation procedure, but discounting time devoted to job-search monitoring or action plans) suggest that some countries (Greece, the United States, and possibly Canada) average less than one intensive-interview-equivalent contact per unemployed person per year (in Belgium too, adults who are not in a particular target group may not be interviewed for a year[12]), while others (Austria, the Netherlands for immediately employable people, Sweden, Switzerland and the United Kingdom) conduct the equivalent of five interviews or more per year, *i.e.* about one interview every two months.

In most countries no intensive interviews, or only a minority of them, occur at the request of unemployed people, but in a few cases (Iceland, Luxembourg, and Sweden) the replies to the OECD questionnaire suggested that such voluntary interviews may be as frequent as obligatory ones. Interviews at the request of jobseekers tend to be motivated by specific requests for information on benefits and training opportunities. Greece mentioned the reporting of new registration information (*e.g.* new qualifications) to the PES, and Portugal and France mentioned the search for vacancies.[13]

Thirty minutes of general counselling every two months with each unemployed person seems a reasonable target in this area. However counselling sessions are no doubt most effective when they are a complement to other labour market instruments which are structured so as to ensure that there is something new to discuss in each interview, *e.g.* at certain points the individual may become eligible for additional types of labour market programme, or may be expected to widen the field of job search.

In recent years, participation in an ***individual action plan*** at some point in the unemployment spell has increasingly been required. Its name varies (employment plan, guidance plan, individual assessment and service plan, job-seeking plan or agreement, activity agreement) but in each case the individual action plan is a written document that describes some aspects of the situation of the unemployed person and foresees some actions to be taken. Normally it is first discussed in a one-to-one interview with the unemployed person and then signed by both parties, after which the actions described in the plan become obligatory, although there may be some exceptions.[14]

Austria, France, New Zealand, Switzerland, and the United Kingdom establish an individual action plan for all unemployed within a month or so of initial registration. This also applies to a small proportion of the intake (profiled or otherwise selected) in Australia and Poland and it is offered on a voluntary basis in Canada (about two thirds of the plans established then lead into a job or labour market programme) and Hungary (except for school leavers, for whom it is compulsory). An action plan is established, for adults, after ten weeks in Iceland and after four to six in months several other countries (Czech Republic, Finland, Netherlands, Norway and Portugal). In Australia, as the duration of spells lengthens an increasing proportion of the unemployed (probably more than half, by the time that people enter long-term unemployment) are referred to a programme that involves establishing an action plan. In Belgium, an action plan may most commonly be established after 12 months in the case of adults, and France systematically reviews the original plan at this stage. In Japan, Korea, Germany, Poland, Spain and probably many states of the United States,[15] an action plan procedure is not widely used. In most cases, one interview is dedicated to the setting up of an action plan, with a second interview also being possible according to need.

In cases where the person remains unemployed, only a few countries conduct further interviews which are dedicated specifically to implementation or assessment of the outcome of the action plan, and bring it to a definite end. More often follow-up of the plan becomes one of the topics addressed in regular intensive interviews, and there is clearly a risk that it will no longer have much impact. Australia, France, Norway, Switzerland and the United Kingdom report that the original plan may be, or will be, reviewed or revised in subsequent interviews.

In some countries, the action plan procedure clarifies to the unemployed person that placement into an ALMP is likely to occur if no other solution to unemployment is found. In Denmark, Luxembourg and the Netherlands, placements into an ALMP are automatically preceded by an action plan, so that 100% of the relevant plans lead to ALMP placement if the person does not soon leave unemployment in some other way. In these cases the action plan can be interpreted as the "gateway" phase in an "active period of benefits" (see below). In Belgium and Sweden, rough figures for the proportion of plans that incorporate or lead to an ALMP placement (25% and 35%

respectively) can be cited, and in a few other countries (Australia, Finland, Portugal and Norway) action plans also quite commonly foresee ALMP placements. In some other cases, action plans may sharpen job-search requirements, specifying actions to be undertaken and establishing a reporting procedure. However in some cases the content of the plan may be more in the character of technical assistance and advice.

An action plan at the beginning of the unemployment spell may involve determining what kind of work and hours, etc., a person is available for, although this would traditionally be item of register information. The action plan may also advise and agree on a job-search strategy, which is not a traditional item of register information. When an action plan is set up later in the spell, there needs to be a requirement for additional action whose nature is open to negotiation rather than being decided unilaterally by the PES. If the action plan involves assignment to a long-term labour market programme, the action plan should occur some months prior to the assignment so that "entry" effects (*i.e.* the tendency for some people who have been assigned to a labour market programme to re-enter work before participation starts) have time to operate (although there can be exceptions, *e.g.* vocational training in an area of skill shortage may need to start immediately).

An ***active period of benefits*** is a situation where the right to unemployment benefits on a passive basis is maintained only as an exception, because there is an administrative commitment to placing all unemployed people in the target group into an ALMP as soon as possible. If a large proportion (*e.g.* more than a third) of any sharply-defined target group (such as all long-term unemployed or all youth) are obliged to enter an ALMP at some duration of unemployment, this might be described as a type of "active period" of benefits.

Countries which may be said to have an active period for adult unemployed passing a certain threshold are Luxembourg and Sweden (at six months), Switzerland (at seven months, later for older workers), Denmark (after one year of unemployment) and the United Kingdom (at two years, the New Deal for Adults). It also appears that in Australia, the Netherlands and Norway, about 50% of the unemployed (perhaps less in Australia, more in Norway) are liable to be placed in an ALMP around the time that they enter long-term unemployment (12 months). This may also be approximately true for the Eastern part of Germany as well, although the timing of programme participation is relatively diffuse (*e.g.* 50% of individuals who do not otherwise exit unemployment may be placed into an ALMP some time between six months and two years after the start of the spell). The active period nearly always starts earlier for youths than for adults: in Finland, youths without vocational training enter an active period immediately upon registration.

After entry to an active period, programme participation is in principle continuous until the end of the insurance benefit period in Denmark and Switzerland and for Finnish youth, although in practice people may return temporarily to a regular unemployment beneficiary status, in between successive programme placements.[16] Sweden is also introducing this principle. In other countries, return to regular unemployment benefit status is normally possible (assuming that entitlements have not been exhausted) after participation in just one programme. The period of programme participation may typically be for about six months (though in the Netherlands, it can range from six months to two years).

In Norway, regular intensive interviews may be the only contacts that precede placement into an ALMP. More often, entry into an "active period of benefits" is preceded by dedicated interviews which forewarn the person of the forthcoming obligation, explain the choice of programmes, if this is available, review possible market work alternatives, etc. In Australia and the Netherlands, a couple of dedicated interviews may commonly occur prior to placement and in Denmark, an action plan, which probably involves at least one interview, is established before entry

into the active period. In the United Kingdom, something like four interviews commonly take place over a separate "gateway" period of up to four months (for youth) or even six months (for adults), prior to any actual ALMP placement. In Luxembourg, the person is interviewed by a "psychosocial team".

In countries where the incidence of long-term unemployment remains fairly high, any administrative commitment to placing long-term unemployed people in an ALMP is expensive. In Denmark, the strategy of continuous activation appears to be highly effective but also very expensive. However it may be reasonable to hope that costs will fall as the principle that passive benefit payment is limited in duration becomes established.

3.2 Personal counselling

In countries which do not report any use of an "active period of benefits" procedure as described here, this does not necessarily mean that all entry to programmes takes place through advertising of the programmes. In some countries, employment counsellors determine when an unemployed person will be called to interview or referred to training or another longer-term labour market programme on an individual basis. Their decisions, drawing on additional expert judgement and personal contact, should in principle give better results than decisions based on a relatively mechanical schedule of interventions and targeting system. However, there is a risk that employment counsellors will adopt strategies which they find easiest (*e.g.* occasional lengthy interviews with more co-operative clients) rather than those which are most effective (*e.g.* frequent short interviews with all clients). Schedule- and rule-based system may help by maintaining pressure on employment counsellors as well as the unemployed to tackle the more difficult situations. A number of countries have adopted a mixed approach, *e.g.* there is a minimum frequency for interviews but there are no fixed rules about referral to ALMPs.

3.3 Caseloading

In some countries, selected unemployed, *e.g.* those who have remained unemployed longer than expected, or those for whom there is felt to be a good chance that individual help can lead to a placement – are put onto the "caseload" of an individual employment counsellor, who sees this client regularly for some months in an attempt at identifying and solving specific problems. Employment counsellors and local offices may operate an autonomous strategy for "caseloading", making this a form of intervention that is additional and complementary to the regular scheduled interventions.

Other "case management" strategies are in use: selected unemployed may be referred to "case management" services provided by outside providers, or some unemployed may be selected for intensified assistance from the start of the spell (see below).

4. Intensified assistance for target groups

The PES may provide some targeted programmes (*e.g.* targeted on youth, female returners, disabled, etc.). on a self-service (openly-advertised) basis and irrespective of beneficiary status. Training programmes in Mexico, which does not have a system of unemployment benefits, are an example of this type of approach to service provision. In the case of people with unemployment benefit, specialised services may be offered on a voluntary basis, or participation may be made compulsory. Some regular requirements may be relaxed for target groups, *e.g.* drug users may be

required to participate in a drug rehabilitation programme, but at the same time are freed from regular job-search requirements. For all such strategies, the definition of the target group is an important issue.

4.1 Categorical targeting

European Union guidelines define "youth" as people under 25 years of age, and recommend that a new offer of help should be made at (or before) the sixth month of unemployment. Most EU members follow this recommendation, although the form of intervention varies. Australia's Mutual Obligation arrangements apply to 18 to 24 years olds unemployed for 6 months and 25 to 34 year olds unemployed for 12 months. Some other countries use a lower age cut-off for their main youth programme (*e.g.* age 20 in New Zealand and Norway). Older workers are also often targeted, although in a different sense, with Belgium dropping requirements that long-term unemployed should be available for work as from age 50, and related arrangements – which usually imply a sharp reduction or cessation of PES interventions in the unemployment spell – applying in many other countries starting at ages between 55 and 60.

Among other "categorical" bases for the targeting of PES interventions in particular countries are lack of command of the national language, membership of particular ethnic groups, literacy and numeracy problems, absence of professional qualifications, holding qualifications for which there is a labour shortage, unemployment due to redundancy, mass layoffs or plant closure, receipt of a particular type of benefit (*e.g.* sole parent or social assistance benefit), social problems (*e.g.* lack of housing, drug and alcohol use) and disability. In many cases, specific programmes are available for these target groups.

4.2 Profiling

Given the multiplicity of risk factors which may be used to target interventions and the arbitrary nature of specific age, literacy, etc. cut-off points, some countries have developed a more sophisticated approach where a number of factors that influence the risk of becoming long-term unemployed are used to classify the unemployed into several groups, which receive different levels of service. The US *Worker Profiling and Reemployment Services* (WPRS) system and the Australian *Jobseeker Classification Instrument (JSCI)* have been in use for some years and various accounts of them are available (*e.g.* see OECD, 1998*a*, 1999*a*). Both systems attribute a "score" to the inflow of new registrants, which in principle reflects the risk that they will become long-term unemployed. Additional labour market assistance is then targeted on individuals who score above a certain threshold level (with the threshold level itself adjusted so that referrals cover the capacity of the additional assistance). More recently, in 1999, the Netherlands introduced its *Kansmeter* (chance-meter) and "qualifying intake"(Qi) assessments, which are supporting the separation of the Dutch PES into Centres for Work and Income (CWI) for basic services, and a contestable reintegration unit providing additional services for individuals classified as needing them (see Section 7.3).

The PES in some countries (Sweden and Switzerland are among them) classifies the unemployed into different groups depending on their placement prospects, including a group which is not immediately job-ready. However the classification of the jobseeker is based on the judgement of PES officers. A potential problem with this arrangement is that local offices can improve their apparent placement performance (in respect of unemployed clients) by classifying more of the disadvantaged unemployed as not job-ready. In other countries, PES officers may describe certain unemployed as being not job-ready, but there is no formal classification of them.

Most OECD countries use the *actual* elapsed duration of unemployment as an important criterion for targeting additional assistance (measures targeted on the unemployed at various durations of unemployment have been described in Section 3). This variable clearly may improve the prediction of an individual's future spell duration.[17] However there can be valid reasons for not using it in targeting labour market measures. In the United States, if the PES targeted measures on people who had been unemployed for more than six months, their UI benefits would already be exhausted. In Australia, placement service providers receive higher payments for services to hard-to-place unemployed, but if the payment available increased steadily with the elapsed duration of an individual's unemployment perverse incentives might arise.[18]

5. Labour market programmes

Entry to labour market programmes takes place under a wide variety of conditions. Entry may be on a voluntary basis, sometimes with relatively limited targeting (*i.e.* a large group of jobseekers potentially qualify, and programmes are widely advertised in order to fill places). Entry may be on a compulsory basis as required by standard rules (*e.g.* an "active period of benefit") or as determined by an employment counsellor. In recent years – as exemplified by the individual action plans negotiated between a jobseeker and the counsellor in a number of countries, or by the UK New Deal where four programme options are offered but there is no fifth option of remaining unemployed – a mixture of pressure and choice may be involved.

However entry is managed, longer-term active labour market measures are expensive: in many countries, 80% to 90% of active spending is on longer-term labour market measures (Table 2), with only 10% to 20% for PES administration (the statistics under this heading usually include spending on benefit administration, the placement service, and basic job-search assistance and counselling). This justifies careful attention to "what works", and there is a large literature which seeks to evaluate individual programmes. These evaluations can be divided into two main types. The first type measures the impact of programme participation on individuals' employment and earnings outcomes. This type of evaluation makes sense for programmes which attempt to make participants more productive and competitive in the open labour market, *e.g.* training and job-search assistance. While the increase of employment and the reduction of unemployment is the ultimate goal of these programmes as for all ALMPs, they do not try to reach this goal directly through job creation but rather through increasing "effective" labour supply, which would then reduce the equilibrium rate of unemployment by reducing wage pressures during periods of economic expansion.

The second type of evaluation attempts to measure the *net* effects of programmes which have the explicit objective of increasing the number of jobs in the economy at large, *i.e.* programmes which attempt to stimulate job creation in the private sector (including self-employment), as well as direct job creation in the public sector. Evaluations must determine whether subsidised jobs would have been created anyway in the absence of the subsidy (dead-weight effects) or whether subsidised jobs have displaced, or have been substituted for, unsubsidised jobs.

The OECD has reviewed on several occasions the evaluation literature available in its Member countries (OECD, 1993*b;* Fay, 1996; Martin, 2000). This work has been confined to "experimental programmes", where individuals have been randomly assigned to either a control or a treatment group, and "quasi-experiments" where a control group has been established *ex post* and attempts made to control for possible selection bias.[19] However, these methods can only be applied to measure the effects on individual programme participants. In order to estimate the net-employment effects of job creation programmes, much less rigorous methods are typically used, *e.g.* relying upon surveys of employers or regression analyses of labour flows.

Table 2. Public expenditure on labour market programmes in per cent of GDP, for the most recent year available

Category*		1.	2.	2.a)	2.b)	3.	3.a)	3.b)	4.	4.a)	4.b)	4.c)	5.		6.	7.	ACTIVE AND PASSIVE MEASURES TOTAL
		PES	Training			Youth measures			Employment				Disabled	ACTIVE MEASURES TOTAL	Unemployment benefits	Early retirement benefits	
Country	Year		Total	*For unemployed*	*For employed*	Total	*For unemployed*	*Apprenticeships*	Total	*Hiring subsidies*	*Self-employment start-up*	*Direct job creation*	Total				
Japan	1998-99	0.03	0.03	0.03	–	–	–	–	0.02	0.02	–	–	–	0.09	0.52	–	0.61
US	1998-99	0.06	0.04	0.04	–	0.03	0.03	–	0.01	–	–	0.01	0.04	0.17	0.25	–	0.42
Nordic countries																	
Denmark	1999	0.11	0.98	0.78	0.21	0.12	0.12	–	0.23	0.02	0.02	0.19	0.33	1.77	1.43	1.70	4.90
Finland	1999	0.14	0.38	0.34	0.04	0.22	0.11	0.12	0.37	0.16	0.03	0.19	0.10	1.22	1.87	0.47	3.55
Norway	1999	0.15	0.05	0.05	–	0.01	0.01	–	0.02	0.01	–	–	0.59	0.82	0.47	–	1.29
Sweden	1999	0.28	0.49	0.48	0.01	0.03	0.03	–	0.46	0.18	0.07	0.21	0.58	1.84	1.61	0.09	3.54
Average		*0.17*	*0.48*	*0.41*	*0.06*	*0.10*	*0.07*	*0.03*	*0.27*	*0.09*	*0.03*	*0.15*	*0.40*	*1.41*	*1.34*	*0.56*	*3.32*
Other OECD (ex. Southern Europe and new Members																	
Australia	1997-98	0.20	0.05	0.05	–	0.06	–	0.05	0.13	0.04	0.02	0.07	0.05	0.49	1.12	–	1.61
Austria	1999	0.14	0.19	0.16	0.02	0.05	0.02	0.03	0.09	0.05	0.01	0.03	0.06	0.52	1.16	0.04	1.72
Belgium	1998	0.19	0.26	0.17	0.09	–	–	–	0.77	0.30	–	0.47	0.11	1.34	1.95	0.56	3.85
Canada	1998-99	0.20	0.18	0.17	–	0.03	0.02	0.01	0.08	0.01	0.01	0.05	0.03	0.51	0.99	–	1.50
France	1998	0.16	0.31	0.28	0.03	0.32	0.14	0.18	0.46	0.27	–	0.19	0.09	1.33	1.48	0.32	3.13
Germany	1999	0.23	0.35	0.35	–	0.08	0.07	0.01	0.40	0.03	0.04	0.33	0.25	1.30	2.11	0.01	3.42
Ireland	1996	0.24	0.21	0.14	0.08	0.24	0.11	0.13	0.88	0.24	0.02	0.63	0.08	1.66	2.29	0.13	4.07
Luxembourg	1997	0.03	0.01	0.01	–	0.14	0.09	0.05	0.07	0.07	–	–	0.04	0.30	0.42	0.25	0.97
Netherlands	1999	0.38	0.34	0.32	0.03	0.04	–	0.04	0.49	0.07	–	0.43	0.54	1.80	2.81	–	4.61
New Zealand	1998-99	0.12	0.24	0.24	–	0.12	0.07	0.05	0.09	0.04	0.03	0.03	0.05	0.62	1.57	–	2.20
Switzerland	1999	0.14	0.11	0.11	–	–	–	–	0.25	0.08	0.01	0.16	0.14	0.65	0.70	–	1.35
UK	1997-98	0.16	0.07	0.06	0.01	0.12	–	0.12	–	–	–	–	0.02	0.37	0.82	–	1.19
Average		*0.18*	*0.19*	*0.17*	*0.02*	*0.10*	*0.04*	*0.06*	*0.31*	*0.10*	*0.01*	*0.20*	*0.12*	*0.91*	*1.45*	*0.11*	*2.47*
Southern Europe																	
Greece	1997	0.12	0.06	. .	. .	0.10	0.02	0.07	0.06	0.04	0.02	–	0.01	0.35	0.50	–	0.85
Italy	1999	0.04	0.25	. .	. .	0.27	0.04	0.23	0.53	0.45	0.02	0.06	–	1.10	0.55	0.09	1.74
Portugal	1996	0.10	0.29	0.05	0.24	0.31	0.15	0.16	0.11	0.07	0.01	0.03	0.05	0.85	0.77	0.12	1.74
Spain	1999	0.06	0.22	0.12	0.10	0.06	0.06	–	0.43	0.31	0.04	0.09	0.03	0.81	1.41	–	2.22
Average		*0.08*	*0.21*	*0.07*	*0.14*	*0.18*	*0.07*	*0.12*	*0.28*	*0.22*	*0.02*	*0.05*	*0.02*	*0.78*	*0.81*	*0.05*	*1.64*
New member countries																	
Czech Republic	1999	0.09	0.01	0.01	–	0.02	0.02	–	0.05	0.02	0.01	0.03	0.01	0.19	0.31	–	0.49
Korea	1998	0.07	0.10	0.08	0.02	0.04	0.04	–	0.27	0.02	0.04	0.21	0.01	0.49	0.19	–	0.68
Hungary	1999	0.11	0.07	0.07	–	–	–	–	0.22	0.08	–	0.13	–	0.40	0.47	0.09	0.96
Mexico	1999	–	0.04	0.03	0.01	–	–	–	0.04	–	–	0.04	–	0.08	–	–	0.08
Poland	1996	0.02	0.02	0.02	–	0.09	0.03	0.06	0.15	0.08	0.01	0.06	0.20	0.49	1.66	0.05	2.20
Average		*0.07*	*0.06*	*0.06*	*0.01*	*0.04*	*0.02*	*0.01*	*0.18*	*0.05*	*0.02*	*0.11*	*0.05*	*0.41*	*0.66*	*0.04*	*1.10*

*The categories are: 1. Public employment services and administration; 2. Labour market training – 2a) Training for unemployed adults and those at risk – 2b) Training for employed adults; 3. Youth measures – 3a) Measures for unemployed and disadvantaged youth – 3b) Support of apprenticeship and related forms of general youth training; 4. Subsidised employment – 4a) Subsidies to regular employment in the private sector – 4b) Support of unemployed persons starting enterprises – 4c) Direct job creation; 5. Measures for the disabled (vocational rehabilitation and work for the disabled); 6. Unemployment compensation; 7. Early retirement for labour market reasons.

Source: OECD Database on labour market programmes.

In general terms, evaluations have found that job-search assistance has a positive impact on employment prospects for most unemployed. Nevertheless, there are likely to be some limits on how much of this form of assistance can usefully be provided. Evaluations have found little evidence that direct job creation measures have a positive impact on subsequent employment prospects for most adult unemployed, although they may help for severely disadvantaged labour market groups. Subsidised hiring in the private sector appears to help the long-term unemployed and women re-entrants, but it is hard to see how evaluations can fully control for employer selectivity and the matching process (by the same methods, unsubsidised hiring might be evaluated even more favourably than subsidised hiring). Classroom and on-the-job training have been found to have a positive impact for women re-entrants, but probably not for prime-age men. A substantial positive impact is often claimed for vocational training, particularly courses in areas characterised by skill shortages which can cite high employment rates among those who qualify. However it is difficult to control for motivation of the intake group (some skill shortages arise because the work is considered unattractive by many workers). Also, before they can take up specific skills training, workers with low initial education often need general remedial education, which appears to have more limited effectiveness. The evaluation evidence suggests that few of these ALMPs benefit disadvantaged youths.

In some countries such as Denmark, Ireland and Sweden, one of the prime strategic objectives of the PES organisation is to upgrade the skills of the labour force. The benefits of training, in terms of long-term growth in individual earnings or positive externalities for general productivity and economic growth, may be substantial but not well captured in formal evaluations, which are rarely able to capture longer-term effects. In this perspective, unemployment spells may be regarded as an opportune time for delivering training, even if this fails to accelerate or sometimes slows a return to work in the shorter term.

Although direct job creation in the public sector has had little success in helping unemployed people get permanent jobs in the open labour market, the policy debate about the utility of this intervention is still alive. Temporary employment programmes can be used as a work test and as a means of helping the unemployed maintain contact with the labour market, particularly when aggregate demand is depressed and vacancies are scarce. However, if participants are to maintain contact with the labour market, participation should be kept short in duration. In a direct job creation programme which creates *permanent* jobs, the full long-run cost of each entry is very high because it implies the payment of subsidies for several, perhaps many years. Since such a programme must be limited to a small number of highly disadvantaged unemployed, it cannot become a central plank of labour market strategy.

One form of subsidy that appears to be reasonably successful for a small group of unemployed individuals is aid to starting up a business. Demonstration projects in the United States suggest that such schemes result in employment gains for men, primarily between the ages of 30 and 40, who have relatively high levels of education. More anecdotal evidence from other countries such as Australia, Ireland, Norway and the United Kingdom tends to confirm longer-term survivability, but only for a relatively small share of enterprises started up in this manner.

In sum, the evaluation literature suggests that careful targeting on individual needs as well as those of employers is important for programmes to be successful. However, the success of ALMPs may also depend on many other design features such as the level of compensation offered to programme participants, the duration of programme participation, and how different ALMPs are sequences and combined. Empirical evidence on the relative weight of these design features in determining programme outcomes is not available, however.

Drop-out rates from labour market programmes are often high, and a certain proportion of the people who start on a programme will, before the planned end of participation, enter an unsubsidised job. This improves the overall impact, in terms of entries to unsubsidised work, of participation and should probably be seen as a successful outcome, except that the PES should be reluctant to interrupt training courses which lead to recognised qualifications. In some cases, the PES may need to take a participant off a programme in order to fill a vacancy. Rates of entry to work are increased if programme participants are expected to search for work (because a large proportion of programmes are part-time, participation is not a barrier to job search) and accept PES referrals to vacant jobs. According to MoF (1998), in about one third of OECD countries, referral to vacant market jobs is not usually possible during the period of participation in a training or work programme because participants receive a training allowance or wage not derived from the unemployment benefit system. In another third of OECD countries, referral to vacant market jobs remains possible: in Switzerland and under some part-time programmes in Australia, participants must still report acts of independent job search, although the frequency of monitoring is reduced. In about another about third of OECD countries, the situation varies between programmes.

6. Resources for PES administration

PES administration activities - according to the OECD standardised definition of labour market programme categories and including unemployment benefit administration in most cases - account for between 0.03 and 0.38% of GDP of Member countries (Table 2). Among the 18 countries where data on staffing are available (Table 3), in nine data include staff working on benefit administration, reflecting integration of this function usually at local office level (Austria, Germany, Greece, Italy, Japan, Korea, Norway, Spain and about three quarters of offices in the United States), while the other nine they do not. Belgium, Denmark, Finland, Ireland, Portugal, Sweden and Switzerland have only integrated the placement and ALMP referral functions. The United Kingdom, as well as the Netherlands under current "one-stop" reforms, are somewhat unusual in that staff who are institutionally attached to a separate benefit organisation work alongside placement staff within local offices.

In relation to total dependent employment, Belgium, the Netherlands, Germany, the United Kingdom, and Finland, Norway and Sweden have some of the best-resourced systems, notably in comparison with Ireland, Italy, Japan, Spain, and the United States. Resources grew rapidly in the early 1990s in the Netherlands and Norway, and more recently in Switzerland as a nationwide system was established.

The average number of local office staff in each local office district is usually in the range of 10 to 30. Usually most of the staff in a local office district work in the same local office building, but some work in small "kiosks" in shopping centres, remote districts, or mobile units under the general manager of the main local office. In Germany, local office districts as administrative units serve extended regions and average several hundred staff, but each one may manage many local outlets. In Belgium, the Netherlands and the United Kingdom local office networks are geographically dense with one local office serving less than 250 km^2 while in Finland, Norway and Sweden as well as Ireland, Portugal and the United States, the average local office has to serve jobseekers over a region of more than 1 000 km^2. In terms of the distribution of staff by level of centralisation (not shown in Table 2), Spain and Italy have a striking concentration of resources at the intermediate level, reflecting the fact that operations are to a large extent devolved to the regions.

The average number of dependent employees per PES staff member is around 500 (in the range 342 to 622) in eight of the countries shown in Table 3. Yet in Japan, Korea, the United States as

Table 3. PES local office networks, staff resources and workload indicators

		LOCAL OFFICE DISTRICTS				PES STAFF			
		Total number	Area (km ^{2})	Population (000s)	Local office staff	Total number	Dependent employment	Registered unemployed	Benefit recipients
			Average per office				Average per staff member		
Countries with a fully integrated PES (including benefit administration)									
Austria	1994	96	881	84	34	4 230	740	51	46
Germany	1994	184	1 949	443	440	89 300	366	41	32
Greece	1996	149	886	70	10	2 100	985	88	116
Italy	1994	516	583	110	15	12 084	1 182	397 [a]	42 [a]
Japan	1994	479	788	262	27	15 294	3 424	137	51
Korea	1999	142	694	330	18	3 200	3 913	..	..
Norway	1994	168	1 986	26	21	4 230	426	26	34
Spain	1994	753	667	52	11	15 062	595	176	117
United States	1997	2 260	4 143	118	..	70 050	1 778	..	33
Countries with a partially integrated PES									
Belgium	1995	123	248	83	..	5 100	591	117	115
Denmark	1994	97	443	54	18	2 250	1 019	..	155
Finland	1994	183	1 848	28	13	2 893	601	170 [a]	162 [a]
Ireland	1996	50	1 406	73	..	430	2 456	649	609
Netherlands	1994	210	194	73	33	7 800	622	109	95
Portugal	1997	83	1 072	120	19	2 780	1 092	164	66
Sweden	1994	380	1 221	23	17	8 740	420	42	38
Switzerland	1993	3 029	14	2	0.3	1 060	2 823	137	116
United Kingdom	1991	1 100	222	53	28	38 400	587	43	37

.. : Data not available.

a) PES office and staff data relate to 1994 while workload indicators relate to 1993.

Sources: OECD PES database and OECD Economic Outlook, No. 67, June 2000, for dependent employment, except for Korea: National Statistical Office, Monthly Report on the Economically Active Population Survey, December 1999.

well as Ireland, Italy and Portugal the average is 1 000 to 4 000, *i.e.* two to eight times higher than in the better-resourced PES.

Averagely well-resourced PES organisations had (mainly in the mid-1990s) around 40 benefit recipients per PES staff member in the countries with a fully-integrated PES and around 80 in countries with a partially-integrated PES. (These are figures for all staff, including management and support functions: consistent with these figures, the employment counsellors working directly with individual unemployed and vacancies may each be serving about 160 benefit recipients.) Better ratios may typically be achieved in upswing years (much of the data in Table 2 relates to recession years, when the PES was finding it difficult to respect scheduled minimum levels of contact with the unemployed). Despite low staffing relative to total population, the PES in Japan and the United States fell (at the dates shown) close to the average in terms of staff per benefit recipient, reflecting the fact that relatively low proportion of the populations here have a UI benefit at any point in time. Figures much above these limits have been associated with very much reduced levels of contact with the unemployed, *e.g.* very basic signing-on in Spain occurs only once every three months, in Finland only as unemployment began to fall in the 1990s was a six month maximum interval between intensive interviews introduced, and in Ireland in 1996 registration with the placement service was voluntary and many unemployed had no contact with it at all. At the other extreme, in Sweden where use of ALMPs is intensive and in the United Kingdom where scheduled contacts are relatively frequent, the placement service alone works with less than 40 benefit recipients per staff member. So this can probably be described as a relatively high level of staffing, necessary for maintaining a relatively high levels of contact with the unemployed.

7. The institutional structure

Since major institutional reforms are relatively rare events, experience with alternative arrangements at the national level is usually limited. In multi-country analysis, it is not easy to pay attention to more than the main PES institutions, their functions, and the composition of their management boards. However, the effectiveness of institutional arrangements in fact depends also on the powers and responsibilities given to each organisation, the legal and practical arrangements for supervision (if institutions are not directly managed by government), how well the institutions co-operate, and particularly (unless a fixed level of government financing is assured) how they are financed. A variety of institutional arrangements may work well if the latter factors are right and fail if they are not.

7.1 The integration of benefit and placement work

When the benefit administration is institutionally separate from the placement service, there is normally a legal obligation on benefit claimants to register with the placement service,[20] but there is a risk the two institutions will adopt divergent objectives, with only one of them seeking to enforce benefit eligibility criteria and its efforts failing because of a lack of co-operation. More specifically:

- If the benefit administration seeks to enforce eligibility requirements but the placement service shows little interest in transmitting information (*e.g.* about refusals of work) to it for a possible benefit sanction, enforcement will be lax.

- If the placement service seeks to "activate" the unemployed, but the benefit administration shows little interest in supporting this objective (*e.g.* it does not impose

sanctions on individuals who fail to follow an individual action plan), relevant aspects of the activation strategy will in large part fail.

Communication difficulties and procedural safeguards (*e.g.* if the benefit administration insists upon checking for itself the accuracy of information supplied by the placement service) may act as a drag on action, while one institution feels it gets little in return (but quite a lot of work and problems) from helping the other side to implement its strategic aims.

Even if benefit and placement work are formally located within the same institution, there is generally no good case for having employment counsellors take on the work of benefit administrators or vice versa (although placement and benefit officers may be trained together and occasionally switch functions in Japan). So some co-operation between these workers is needed. Instructions from senior level (*e.g.* agreements between different ministries) may be enough to support active co-operation at the local level. Integration at lower levels (*e.g.* as when the head of the local employment office is responsible for managing both benefit administration and placement functions within the office) may do this more reliably. Co-location of benefit and placement services at local office level may help to maximise jobseeker contact with placement services (*e.g.* vacancy notice boards, etc.) and emphasise the nature of benefits as an allowance for job search, rather than a passive benefit.

Some countries are now processing benefit claims by telephone or the Internet. This (like processing by mail) makes economic sense if the network of offices is not geographically dense, and if the share of the PES in placements is low and general PES strategy is (as discussed in Sections 2 and 3) one of self-service rather than active intervention – so that the employment content of in-person visits would on average be rather low. But if regular in-person visits with substantial employment content are part of the strategy the existence of a telephone or Internet procedure for benefit continuation claims, in parallel with an employment service procedure for blocking payment when the person fails to attend in person, might increase transaction costs.

7.2 Tripartism, decentralisation and one-stop shops

There is a risk in labour market policy that a gap will arise between central government policies or perceptions of them, and the concerns of other actors. The involvement of the social partners and other actors at national and local level can help close this gap, and bring new enthusiasm, energies and political legitimacy to a general labour market strategy. Where only rather basic job-broking and benefit administration services are being carried out, this may not be a critical issue. However, where the implementation of benefit eligibility requirements and large-scale job-creation programmes are important issues, as in the Nordic countries, the active co-operation of unions, employers and local government may be rather important. These other actors may only help to implement a labour market strategy if they have a degree of effective autonomy in decision-making. The involvement of many actors in day-to-day operations may become rather cumbersome, however. Therefore, the consequences of this devolution of government powers need careful consideration. A related issue is how to promote co-operation between different parts of the PES and other service providers at local level.

Tripartism

There is a long-standing tradition in many OECD countries to organise the PES on a tripartite basis (in line with ILO Convention 88). In several countries which were reviewed by the OECD (Denmark, Finland, Italy, Norway, Spain, Switzerland), there are tripartite or bipartite bodies

attached to the PES, sometimes only at the central level but sometimes at more decentralised levels as well. However, these bodies have mostly an advisory function or they serve as consultative bodies if and when the Government wishes to introduce new legislation. In some cases they are called supervisory bodies but in reality the final decision-making power lies with the central government. Their competence is somewhat larger in Italy where at decentralised level decisions are taken by these bodies in specific areas defined by law or Ministerial decree. In a few countries, however, such tripartite bodies have wide-ranging decision-making power at all levels and the PES system is largely independent from the Government.

In Denmark, Finland and Sweden, insurance benefits are administered mainly by funds linked to unions, although the benefit payments they make are heavily subsidised by central government, which accordingly subjects the funds' policies to more or less intensive supervision. In Belgium, claimants have immediate contact mainly with union-based organisations, which forward claims to the state benefit organisation ONEM and pays the benefits. In France and the Netherlands, unemployment insurance benefits (though not assistance benefits) are managed by bipartite industrial boards, although the state gives legal force to the obligation on employers and employees to pay unemployment insurance contributions, and again, retains supervisory powers.

Austria, Sweden and Germany are countries where tripartite management of the PES at central, regional and local levels is paralleled by a considerable autonomy of the PES. The legislator remains in charge of initiating new policy measures and determining financing rules and the Ministry of Labour exercises a legal control. But the PES agency has considerable leeway in implementing policy and taking decisions on spending.

In the past, Sweden has gone farthest among OECD countries in applying a "corporatist" approach in decision making and PES management. However, in 1991 it experienced a set-back in tripartism when the Swedish Employers Federation decided to withdraw from the main tripartite decision-making bodies, including the PES board, arguing that it no longer wished to share responsibility for policy decisions to which it was hostile but could not prevent because of majority voting in the tripartite bodies. Disagreements among the social partners at the central level were also cited in the negative evaluation of Dutch tripartite arrangements over the 1991-94 period (see p. 69 "External Audits of the Public Employment Service in the 1990s" in this volume), where each party had veto rights and indecisiveness and postponement of decision-making resulted. This type of difficulty has been largely avoided – in the Netherlands as well as in Austria, Denmark and Sweden – at regional and local level where demand and supply conditions are more transparent and less attention is paid to ideological differences.

Decentralisation

The work carried out by the OECD's LEED (Local Economic and Employment Development) programme during the years 1997-99 explores the need to adapt national employment policies to local conditions and to make them consistent with local development strategies. OECD (1998*b*) analysed the territorial dimension of active labour market policies, identified the role of different actors (government at different levels, trade unions, business and community groups) in the design and implementation of policies, and surveyed the state of decentralisation in OECD countries. It concluded that it is important to provide a flexible management framework for policies at local level, and suggested that local partnerships operating within the framework of regional development strategies could contribute to more effective employment policies, a theme explored further in a high-level conference in 1998 (OECD, 1999*b*). Decentralisation may also represent a positive development when it leads to greater flexibility in policy management frameworks.

Depending upon which powers and responsibilities are devolved, which local actors acquire them, and how the PES administration and unemployment benefits are financed, PES work can be decentralised in different ways:

- To the regional level (as in Belgium, Canada, Denmark, and Spain), or to the local level (as in Ireland, Finland and Sweden).

- To different local actors, three possibilities being *a)* regional governments (as in Belgium, Canada and Spain); *b)* multipartite boards representing a variety of actors, sometimes including municipalities (as in Austria, Ireland, or Denmark); and *c)* local office managers, with monitoring of outcomes on the basis of performance indicators (as in Finland and Sweden).

- With central government funding for PES costs being a fixed amount (as in Belgium) or related to performance (as in Switzerland).

- With unemployment benefits funded by taxes or contributions levied on the national population (as is the case for UI benefits, except in the United States, and often also for assistance benefits), or the local population (as is the case in varying degrees for assistance benefits in Nordic countries, Belgium, Canada, Germany, the Netherlands, Spain, and Switzerland).

A common problem is that unless central government retains essential powers over management of the placement function, it cannot ensure active co-operation between placement work and UI benefit administration will continue. Where significant numbers of unemployed have assistance benefits financed by municipalities, this problem may arise in a different configuration: a national placement service may not be responsive to their needs (it may be managed so as to provide services mainly for UI beneficiaries). New Dutch arrangements (see below), where both national and local benefit administrations buy reintegration services in respect of beneficiaries, in principle should ensure that placement administration is both centralised and decentralised in ways that are co-ordinated with the level at which benefits are financed and managed.

While many countries have moved away from a fully centralised model where details of local office procedures are governed by administrative circulars, experiments with full local autonomy in the sense that local PES managers or multipartite boards can define widely different strategic objectives (as in the Netherlands in 1991-94), or do not get much technical assistance or performance feedback from higher levels (in the United States in the 1980s) probably went too far and were later reversed. When decision making is shifted to the local level, a centralised performance monitoring system (see Section 2.5 above) needs to be maintained to ensure management efficiency and the attainment of national policy goals.

One-stop shops

The "one-stop" principle in labour market policy provides for access to labour market programmes through joint windows, even where the various programmes are operated by different agencies that maintain legal and financial autonomy from one another. Often these agencies will co-locate a portion of their operations in jointly-run offices in order to ensure that each labour market actor gets to know better what the other does, duplication is reduced and clients can access the services and be referred between them more easily and more accurately. While the actual programme services (*e.g.* job-search assistance) may not necessarily be delivered at the one-stop site, the intake procedures

are generally structured to provide an integrated, co-located approach to addressing client needs. However, other more or less ambitious one-stop approaches exist by which different actors negotiate partnership or co-operation agreements, share management data, link and co-ordinate their web sites, or simply place representatives in each others offices periodically. Thus, the "one-stop" label may be applied somewhat loosely.

No PES simultaneously manages all related PES-related functions such as UI benefits, assistance benefits, placement services, occupational guidance, apprenticeship, adult learning, training, job-creation projects, and related customer advice and advocacy. Institutionally speaking, the cake has to be cut up in some way and at points where different organisations are doing related things, differences in culture and perspective, disputes over relative responsibilities and poor communications can arise. So there may often be opportunities somewhere in the system for one-stop principles of co-location without full institutional integration. In the United States the federal government has provided seed (start-up) funding for co-location, and an interesting question in this respect is whether governments need to not only encourage innovation in this way but also maintain some continuing funding for co-location in order to keep the partners together. Other countries that have introduced one-stop policies in recent years include France, the Netherlands and New Zealand.

7.3 Contestability and purchaser/provider arrangements

Contracting out training

OECD (1997*b*) noted that the available evaluation evidence which shows significant cost savings resulting from contracting out does not cover PES functions where the provision of the service requires relatively high levels of skill. In the provision of labour market training, specific licensing requirements for occupations such as teaching, or the time required to acquire specialised skills, may make entry to the market costly, and economies of scale may make it difficult for private training providers to compete against public institutions in the education sector. Although significant savings in the unit cost of training can be achieved, contracting-out arrangements in this field can be very complex, entailing significant transaction costs. PES purchasing of training may be separately organised and managed at a regional level, so that local employment offices have no direct knowledge of the providers. And when the PES finances training in partnership with industry, it may lose leverage over the composition of the intake.

Contestability of core placement and intensive assistance functions

Australia's experience is relatively unique among OECD countries. It introduced contestable arrangements for case management, with the goal of focusing effort more closely on the needs of jobseekers, particularly the long-term unemployed, in 1994. With the benefit of this experience, in 1998 it introduced a system where both regular job-broking services (other than the maintenance of nationwide vacancy and related databases, which is still a public service) and intensive assistance for disadvantaged unemployed are contestable.

In 1998, the Dutch national budget was for the first time split into two parts, with slightly less than half paid to the PES directly for basic mediation services and the remainder (as in Australia) earmarked for enhanced services to help disadvantaged unemployed (inforMISEP, Summer 1998). Part of the funding for enhanced services was given to unemployment insurance institutions and the social assistance offices of 25 cities, under contracts which required them to assess the reintegration

needs of clients and purchase readjustment or reintegration programmes for the disadvantaged unemployed from the PES on a negotiated contractual basis. As from 1 January 2000, this market for reintegration services was made contestable, *i.e.* the benefit institutions were allowed to contract with service providers other than the PES.

Some issues for the effectiveness of contestable arrangements will be:

- Private providers may have erratic practices as regards notifying refusals of job offers (or other assistance) to the benefit administration, and when the unemployed can choose between service providers, some providers may benefit from a reputation for not notifying refusals.

- The outcome payment formula (which in Australia includes payments when a client is initially placed, and in certain cases further payments after three or six months in work) needs to reflect the underlying objectives of PES work while also being based on objective information available to government at short notice, two criteria which are difficult to reconcile.

- Active management will be needed to ensure that the market remains effectively contestable, and that corrective action is taken if the incentives have some undesirable side-effects. The contestable employment services market is both a relatively novel and relatively complex piece of public policy, and providers will modify their behaviour as they start to understand the game better.

- The costs of general management and administration of the tender process, the profiling instrument and payments to providers are substantial. In the Netherlands, a large number of municipalities need to independently contract with outside providers. Contestable arrangements will need to show benefits – resulting mainly from the systematic tendency for the most effective placement strategies to be adopted – which exceed these costs.

The role of private employment agencies

Many countries liberalised former restrictions on private employment agencies (PEAs) during the 1990s (Walwei, 1996; de Koning, Denys and Walwei, 1999), and this trend was recognised and further boosted by the Private Employment Agency Convention adopted by the ILO in 1997 (Convention 181). Even in countries with relatively few restrictions, the share of private agencies in permanent placements usually remains less than that of either newspapers or the PES (with Korea being a notable exception), so liberalisation has modified the working environment for the PES but not revolutionised it.

Public employment services which share the market with private employment agencies rarely regard this a problem in itself. Most probably welcome competition. There has been considerable enthusiasm in principle for the idea of active co-operation between public and private agencies but without a clear idea of how this can be achieved. Three main possibilities appear to be:

- *Short-term temporary work:* private agencies more often dominate in this market and, as noted above, in some countries the PES has sought to compete in this field.

- *Exchange of vacancy information:* in the UK, 10 to 15% of vacancies come to the PES through private employment agencies, and over 20 000 private agencies are licensed to enter vacancies directly onto the PES website in the United States.

- *A contract with private agencies to place the unemployed:* Switzerland and the United Kingdom have experimented with this on a local basis, but it does not seem to have been taken much further.

Substantial involvement of the private sector in placing disadvantaged unemployed, over and above what occurs in any case, probably does require substantial payments to private agencies within a framework of clearly-defined tendering and/or payment-for-outcome procedures, as in Australia.

8. Conclusions

The PES, while retaining a public service ethos, needs to adopt private sector best practices and develop modern management methods. Four main themes have emerged in the 1990s:

- **Customer service.** Like the customers of private business, jobseekers and employers seek rapid, easily accessible services, without queues, misdirection or red tape. This focus has been typified by the use of customer satisfaction surveys, one-stop shops and the expansion of telephone services and information technology.

- **Information technology.** Internet vacancy data banks are only the most obvious among a number of IT-related developments, which include CV data banks, on-line training, improved electronic exchange of information between different organisations and providers, and fast entry of, and access. to, register information by PES staff.

- **PES performance indicators and jobseeker classification instruments.** The use of placement rates and a variety of other indicators for assessing performance at local, regional and national levels of the PES has become relatively commonplace. Some countries are putting multivariate indicators into operational use for assessing performance within the PES (Switzerland) and differentiating the services to the unemployed according to need (Australia, the Netherlands, the United States).

- **Contestability and financing mechanisms.** The purchase of some proportion of intensive job-search assistance services and labour market training from private sector providers has become relatively commonplace. Moreover, Australia now finances placement services through tendering and payment-by-results mechanisms; while in the Netherlands, the former block grant to the PES is now channelled partly as payments to benefit administrations for the purchase of reintegration services.

The job-broking function remains central to the PES and Section 2 noted various strategies that can help maximise vacancy registrations and the importance of keeping vacancy and jobseeker registers accurate, using information technology effectively and specifying performance targets with care.

A self-service-only approach, where high-quality job-broking and limited additional services is all that is offered, but from the start of the unemployment spell, can encourage individual initiative as compared to a strategy where additional help is promised if the spell continues. Nevertheless, countries with long-duration unemployment benefits need to develop strategies for active intervention

in the unemployment spell, especially for disadvantaged workers and those approaching long-term unemployment. Scheduled interventions in the unemployment spell (see Section 3), targeting of particular groups for intensified assistance (see Section 4), and referrals to labour market programmes (see Section 5) may all be regarded as contributing to such a strategy. In this perspective, each contact with the unemployed person – starting with initial registration for benefit and continuing with further monthly contacts, job-search monitoring, interviews and action plans, etc. – is likely to increase the hazard rate into unsubsidised employment (*i.e.* the proportion of the unemployed who enter work each month) by a few per cent. An effective strategy is one where these few per cents cumulate so that the proportion of unemployment spells "surviving" to, for example, a two-year duration is only a half or a quarter of what it otherwise would be. No one intervention can get a large proportion of the longer-term unemployed to enter unsubsidised work over a short period such as a month, because relatively good job vacancies (good in terms of the match for the individual) arise only at unpredictable intervals during a long spell. This suggests that interventions, or at least the motivational and enabling impact of interventions, need to be maintained *throughout* the unemployment spell.

The PES plays an important role in providing general and vocational training to upgrade the skills of the workforce in some countries. Such training need not always be targeted on the long-term unemployed – indeed many countries fund the training of employed workers, which does not have to be justified in terms of a placement objective. However, when the main objective of ALMPs is to reduce unemployment and in particular long-term unemployment, placements in an ALMP should not be regarded as successful outcomes in their own right, but as interventions that can potentially influence the hazard rate into unsubsidised work. When compulsory referrals to labour market programmes are made, the aim should be to increase the hazard rate to unsubsidised work *before* participation (*e.g.* with an action plan or "gateway" phase before the referral) and during participation (avoiding participation in a single long-term programme, which will have a significant "retention" effect) as well as after participation, which is the classic focus of the "impact evaluation" literature.

PES financing and staff resources, as discussed in Section 6, vary greatly. No country appears to doubt that the basic advertising of job vacancies is a worthwhile activity. A strategy of active intervention in the matching process and intensive counselling and job-search assistance requires additional PES staff, but it remains relatively cheap, and if it reduces the number of unemployment beneficiaries, it is clearly justified. Activation strategies which rely on heavier interventions (*e.g.* large-scale training programmes or strict workfare requirements) are considerably more costly. They may still be justifiable in terms of savings on benefit spending alone, but more general and long-term benefits (*e.g.* enhanced employability and skills development and avoidance of intergenerational welfare dependency) also tend to be invoked in support of them.

In one sense, the institutional structure of the PES is irrelevant to its performance. If appropriate services and interventions are delivered, they are not more or less effective because they are managed by a tripartite management board or decided at regional level. However, the institutional structure does affect factors such as the pool of knowledge and expertise contributing to management, the willingness of the parties involved to co-operate in implementing particular strategies, and the perceived political legitimacy of operations. Thus, if central government had attempted to directly manage implementation at local level of Denmark's activation strategy, it could have run into greater practical difficulties of implementation and faced more articulate local opposition. In general, institutional reforms can sometimes remove barriers to implementing an effective operational strategy, but under any institutional arrangement the services and interventions delivered to the unemployed are the final determinant of success.

Contestable arrangements are attractive because competition promotes efficiency: the efficiency of the PES, as a large public sector organisation, may slip over time, and it is often called into question. However, competitive outcomes in a field as complex as this will reflect the detailed design of tendering, financing and payment-by-results mechanisms. The efficiency of contestable arrangements is likely to increase as technical refinements are devised and tested: if more countries eventually adopt similar arrangements, they will benefit greatly from the boldness of the pioneers in this field.

NOTES

1. The PES functions are sometimes defined to include referral to labour market measures but not the administration of these measures. The main PES functions traditionally have been those carried out by a nationwide networks of benefit, placement, training, etc. centres, but with advances in information technology some of the services (*e.g.* maintenance of Internet sites and telephone call centres) can be provided from a remote or a single site.

2. According to the "slipstream" or "carrier wave" theory, the poor reputation of the PES as an agency supplying only unemployed and often less skilled workers is a prime barrier to its placement performance: the PES should go "up market", so that disadvantaged workers are carried along in the "slipstream" of increased vacancy flows. This reasoning could justify a strategy that concentrates on maximising total placements, with little direct attention to the disadvantaged. On the other hand, an active employment service focus on the lower end of the labour market may be able to directly assist the disadvantaged unemployed, while encouraging the majority of unemployed to search independently, through self-service and outside channels. In the United Kingdom in 1997/98, among the unemployed who left the register for jobs, more than half of those who had been unemployed for more than six months, and three quarters of those who had been unemployed for over two years, were placed by the Employment Service (EEC, 1999, p. 184).

3. There is a tension between using performance measures based on final outcomes (such as rates of entry to work, or the local unemployment rate) and those based on intermediate outcomes (such as the PES placement rate). The former are strongly influenced by factors outside the control of the local PES office: the latter are easier to understand and operationalise at local level, but do not necessarily have the desired impact on final outcomes and thus need to be used with supplementary safeguards and monitoring.

4. Strategies of intervention in the unemployment spell apply mainly to the unemployed who are applying for benefit. Employed jobseekers, and also the unemployed in countries where there is no unemployment benefit, are not usually required to attend interviews: if nothing is heard from them for some time, after three or six months, their registration is dropped and if they later recontact the employment service it can equally easily be renewed. When benefit is being paid, tighter procedures must be used for the continuation or cancellation of registration, and unemployed people can be required to co-operate with measures intended to monitor or assist job search.

5. All OECD Member countries except Ireland replied to the 1999 questionnaire on "Interventions in the Unemployment Spell Managed by the Public Employment Service": however a varying proportion of the replies, depending on the question, gave clear information. This is partly because some countries have intervention strategies which do not fall neatly under a particular heading of the questionnaire.

6. In the Czech Republic, it is assumed that as long as the client is registered, he or she has no money-making activity: all contacts with registrants appear to focus on placement. In Germany, the unemployed must report any money-making activity immediately on their own initiative: questions about this and other determinants of employment status do not have to be answered repeatedly at fixed intervals. In 1999, a requirement that contact with the PES should occur every three months was dropped.

7. In Hungary, the unemployed person keeps a Temporary Work Book to record any temporary or casual work, instead of returning a form for each reporting interval. This procedure presumably makes it easier to vary the reporting interval.

8. In Belgium, the unemployed are required (subject to exemption of some groups) to regularly sign at communal offices, which have no placement function, in order to continue the benefit claim.

9. Although the United Kingdom and the United States reported direct referrals of jobseekers to vacancies, their replies to the questionnaire appeared to describe screening (*i.e.* determining whether it is appropriate to release employer contact details relating to a semi-open vacancy to a jobseeker who has asked for them). Canada, the United Kingdom and the United States all impose a significant number of benefit sanctions for refusals of suitable work and it seems likely that some kind of direct referral of jobseekers to vacant jobs is involved in these cases.

10. In Hungary and (under the "active signing" procedure) the United Kingdom, regular visits to the employment office to continue the benefit claim, while remaining distinct from intensive interviews, have some of the same functions (*e.g.* discussion of the suitability of vacancies and/or ALMP options).

11. The reported duration of intensive interviews varies from 15 minutes (Spain) to a maximum of 60 minutes or more (Japan, Luxembourg), with 30 minutes being a very typical figure in cases where there is less than one interview per month. A number of countries require participation in one collective information session early in the unemployment spell. Attendance at collective information sessions later in the unemployment spell seems to be organised on a fairly *ad hoc* basis, with a low overall frequency in most cases, except that Sweden reports two to four per year as the norm.

12. Until recently, the Flanders region of Belgium interviewed the unemployed in the seventh month, at local employment office discretion, and all unemployed without an upper secondary diploma entered the action plan (PAC) in the tenth month.

13. In some countries vocational guidance officers may have long interviews with young jobseekers, but questionnaire replies would not necessarily have taken this into account.

14. In some countries benefit legislation explicitly creates an obligation (subject to certain safeguards) on jobseekers to carry out actions that have been written into their individual action plan. In other countries benefit legislation does not refer directly to the individual action plan.

15. California, North Carolina and probably some other US states establish a work search plan at the start of a benefit claim while some others may establish one if unemployment continues.

16. In Denmark, there is an administrative rule that during the "active period of benefits" (which lasts up to three years for adults and 3 ½ years for youth) the person must actually be participating in an ALMP for a minimum of 75% of the time, *i.e.* benefit can still be paid for open unemployment basis for up to 25% of the time.

17. See Layard, Nickell and Jackman (1991, pp. 220-230) for a discussion of the duration structure of unemployment and the decline in exit rates with the duration of unemployment.

18. In any performance monitoring system where local employment offices get additional credit for placements of the long-term unemployed, they may be tempted to let unemployment pass the one-year threshold and only start intensive placement efforts then. Payment by results may throw such problems into sharper relief but it does not create them.

19 Selection bias arises when participants in the treatment group do not have the same characteristics as those in the control group because they have been selected or have self-selected themselves (possibly inadvertently) on the basis of criteria which also affect the measured outcome of the programme.

20. In a few cases, there has been no legal obligation on benefit claimants to register with the placement service. Then the placement service supplies no information about individuals' availability for work to the benefit administration (and the placement service may also receive little information about individual status from the benefit administration: see Section 2.2). It can provide intensive help on a voluntary basis, but cannot implement a strategy of systematic intervention in unemployment spells.

BIBLIOGRAPHY

DERCKSEN, H.J, and J. de KONING (1996), "The New Public Employment Service in the Netherlands", Discussion Paper FSI 96-201, Wissenschaftszentrum, Berlin.

EEC – Education and Employment Committee (1999), *The Performance and Future Role of the Employment Service, Vol. I1, Minutes of Evidence and Appendices*, Seventh Report, House of Commons, Session 1998-99, Cmnd 197-II, Stationery Office, London.

FAY, R. (1996), "Enhancing the Effectiveness of Active Labour Market Policies: Evidence from Programme Evaluations in OECD Countries", OECD Labour Market and Social Policy Occasional Papers No. 18, Paris (also available at www.oecd.org/products).

de KONING, J., J. DENYS and U. WALWEI (1999), *Deregulation in Placement Services: a Comparative Study for Eight EU Countries*, Directorate-General for Employment, Industrial Relations and Social Affairs, European Commission Luxembourg.

LAYARD, R, S. NICKELL and R. JACKMAN (1991), *Unemployment: Macroeconomic Performance and the Labour Market*, Oxford University Press.

MARTIN, J. (2000), "What Works among Active Labour Market Policies: Evidence from OECD Countries' Experiences", *OECD Economic Studies*, No. 30, pp. 79-113, Paris.

MOF – Ministry of Finance (1998), *Availability Criteria in Selected OECD Countries*, Working Paper No. 6, Ministry of Finance, Copenhagen (also available at www.fm.dk/udgivelser/publikationer/criteria_oecd_1998).

OECD (1993*a*), *The Public Employment Service in Japan, Norway, Spain and the United Kingdom*, Paris.

OECD (1993*b*), *Employment Outlook*, Paris.

OECD (1994), *The OECD Jobs Study: Facts, Analysis, Strategies*, Paris.

OECD (1996), *The OECD Jobs Strategy, Enhancing the Effectiveness of Active Labour Market Policies*, Paris.

OECD (1997*a*), "Enhancing the Effectiveness of Active Labour Market Policies: A Streamlined Public Employment Service", Labour Market and Social Policy Occasional Papers, Paris (also available at www.oecd.org/products).

OECD (1997*b*), "Contracting Out Government Services: Best Practice Guidelines and Case Studies", Public Management Occasional Papers No. 20.

OECD (1998*a*), *Early Identification of Jobseekers at Risk of Long-term Unemployment: the Role of Profiling*, Paris.

OECD (1998*b*), *Local Management for More Effective Employment Policies*, Paris.

OECD (1999*a*), *The Public Employment Service in the United States*, Paris.

OECD (1999*b*), *Decentralising Employment Policy: New Trends and Challenges*, Paris.

WALWEI, U. (1995), "Brutto- and Nettoeffekte der Arbeitsvermittlung", *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung*, No. 4.

WALWEI, U. (1996), "Placement as a Public Responsibility and as a Private Service: An International Comparative Perspective of the Reorganization of Placement Systems", IAB Labour Market Research Paper No. 17.

EXTERNAL AUDITS OF THE PUBLIC EMPLOYMENT SERVICE IN THE 1990s

OECD Secretariat[1]

1. Introduction

The various institutions that make up the PES would not normally consider the assessment of the overall institutional structure, or of the objectives as laid down in legislation (or by their membership, in the case of private, union or multipartite bodies), to be their own responsibility. The policy thinking that drives major reforms may crystallise in other ways:

- Ministry of Labour experts – at the instigation of the Minister or acting with a certain degree of autonomy and perhaps following advice from PES institutions – may evoke reform possibilities.

- A party in opposition may set out a blueprint for reform and implement it through changes in legislation when it gains power, or

- The National Audit Office on its own initiative (or at the request of Parliament) or a commission created for the purpose by Parliament, may evaluate the PES and potential reforms of it.

This paper summarises four general, official, external audits, published in the 1990s, which have attempted to provide an analytical basis for significant reforms.[2] These are: an evaluation by the General Accounting Office of the United States Employment Service, published in 1991; an evaluation by a government-appointed committee of the Dutch PES, published in 1995; two evaluation reports, focusing on unemployment benefit administration and job matching services respectively, issued by the Swedish National Audit Office in 1999; and three evaluation reports (the main one in response to a parliamentary remit) of the Swiss PES published in 1999. Some of the main issues arising were how PES performance should be defined and measured, the extent and causes of variation in PES strategies and outcomes across regions and local offices, and institutional parameters that account for poor performance or could be changed in order to improve performance. In a conclusion, the paper briefly evaluates the evaluations and advances some principles to guide future evaluations.

2. The United States employment service in 1991

Background

In 1991, following preliminary reports issued in 1989 and 1990, the United State General Accounting Office (GAO), in response to a request from the Chairman of the House of Representatives Subcommittee on Employment Opportunities issued a report entitled "Employment Service: Improved Leadership Needed for Better Performance" (GAO, 1991). The remit was to *i)* identify factors influencing variations in local Employment Service (ES) office placement performance; and *ii)* examine the Department of Labor's role in guiding and monitoring state and local ES programme performance.

Variations in local office performance

To support its evaluation, GAO built up a database with placement performance data from about 1 700 local employment offices in the United States with accompanying information on local demographic and economic conditions. It also gathered information on local office management practices through structured telephone interviews with 438 local offices, and gathered information on state strategies for labour market management from all states.

Three outcome measures were used as the basis for comparing local office performance *i)* the placement rate: the percentage of local ES office jobseekers placed in jobs; *ii)* the permanent placement rate: the percentage of job placements expected to last over 150 days; and *iii)* the placement wage ratio: the average placement wage divided by the average community wage. The first two outcome measures were found to vary greatly: the top 10% of the 1 700 local offices found jobs for one in three jobseekers while the bottom 10% found jobs for less than 1 in 10. In the top quarter of the local offices, three placements out of four were permanent, while in the bottom quarter less than half of the placements were permanent.

In a first stage of analysis, multiple regression analysis was used to identify the local demographic and economic conditions that influence local office performance. Variables used included the unemployment rate and the percentages of the population who were youth, black, female, migrant workers and unemployment insurance (UI) claimants. In a second stage, state and local management practices were compared as between groups of local offices with high and low levels of performance, after econometric adjustment for local conditions. In a third stage, placement performance indicators were compared across states and local offices that did and did not use particular state and local office management practices.

In the 18 states that guided their ES programmes through measurable goals reinforced by performance awards (such as cash and additional office resources) to recognise local office achievements, the overall placement rate was 36% higher and the permanent placement rate and placement wage ratio were also marginally higher. In states that conducted annual on-site monitoring visits to local offices, the overall placement rate was 30% higher, with a significant improvement also in the permanent placement rate (but not the placement wage ratio). In states that used both practices, the overall placement rate was twice as high as in those that used neither practice.

The comparison of local office practices found better performance in offices that had more client-oriented services, notably:

- They were more attentive to employer and jobseeker needs. This was measured in terms of time spent communicating with employers, the use of individual registration interviews (rather than providing only group information sessions to new registrants), the availability of self-service vacancy displays on a semi-open basis, and the local office manager's reported involvement in a list of possible activities (such as attending business conferences, explaining ES services to jobseekers, etc.).

- They interacted more with the Job Training Partnership Act (JTPA) programme. This was measured in terms of reported screening of jobseekers for JTPA participation, sharing office space with JTPA employees, etc., and it was associated with higher placement wage ratios.

- The ES office was separated from the local UI office. This was measured in terms of whether the ES office was physically co-located with the UI office and whether they shared the same manager, and it was associated with higher placement rates.

Funding and federal guidance

The management practices that are associated with better performance require adequate funding: they were also associated with higher expenditure and more staff per ES applicant. Against this background, it was significant that funding of the ES from the Federal sources, as provided under the 1933 Wagner-Peyser Act, had declined by 14% in real terms since 1984, and funding from other sources varied from more than 50% of total ES expenditures in some states to less than 20% in others.

Prior to 1982, the Department of Labor (DOL) had closely supervised, managed and monitored local office operations. Amendments to the Wagner-Peyser Act in 1982 gave states much greater latitude to manage ES programme design and operations, and to fund employment offices for carrying out non-labour-exchange activities such as certification of immigrants and inspection of seasonal workers' housing conditions. The evaluation reported concerns that the DOL had taken the "new federalism philosophy of the 1980s" further in practice than had actually been intended by the 1982 Amendments, and had virtually abdicated the federal role in overseeing the Employment Service. Its remaining oversight was found to concentrate on monitoring the states' compliance with minimum federal requirements, rather than on monitoring ES performance, because of hesitancy about appearing prescriptive about programme priorities. DOL was found to be approving state plans for the ES which included only broad mission statements, without measurable goals and with little information about how activities would be carried out. Quarterly statistical reports to the DOL contained only state total data to the exclusion of local office data, and they were of limited value because interpretations of data definitions varied across states. DOL was also found to be providing little technical assistance to the states. The number of staff directly involved in ES activities at DOL headquarters had fallen during the 1980s from more than 100 to about 20, and owing to the low frequency of visits to state and local ES offices, the DOL lacked knowledge about program operations that would be needed to provide technical assistance.

The report concluded that the extensive autonomy given to states following the 1982 reform had led to wide variations in performance, and also hinted that the DOL's decision not to establish performance standards had a knock-on effect encouraging many states themselves not to establish their own performance standards. It considered that "(…) positive federal leadership initiatives (…) need not burden states nor infringe on state and local responsibilities" and recommended that the Secretary of Labor increase the Department's leadership role by:

- Working with the states to identify and solve problems affecting ES program performance.

- Increasing technical assistance to promote programme quality.

- Sharing information on effective state and local practices.

- Helping states to develop measurable goals and performance standards for their labour-exchange programs tailored to local conditions and needs.

Official responses

The final GAO report includes two official responses to the draft report. The Department of Labor stated that the report focused too narrowly on ES placement rates and did not include other performance indicators such as counselling, school-to-work transition, the employer job order filling rate, labour market information and the rapidity of service. It took exception to the conclusion that performance is enhanced when ES offices are separated from UI offices, pointing out that separate ES offices handled fewer UI claimants, a group that often re-enters work without ES assistance. It also stated in relation to the decline in Federal funding that "the Department has provided greater autonomy and flexibility to the States enabling States to eliminate unnecessary and costly Federal requirements". The DOL's overall reaction was nevertheless positive: it generally concurred with the recommendations and declared that it intended to work more closely with the states and had already undertaken some actions in this direction.

The President of the Interstate Conference of Employment Security Agencies (ICESA, the main association of state employment services) criticised the DOL for "enforcing simple compliance, instead of promoting program quality and effectiveness" and for seeking to "pigeon-hole the 53 state Employment Service operations in to a single type of operation", and emphasised the significance of declines in funding. It generally commended the report's clear statement of the need for the DOL to provide greater technical support to the states, saying that the lack of such support had led to great disparities in terms of levels of automation, participation in technical and innovative project exchange, and implementation of performance measures. However, it called for group intake and the collocation of ES and UI offices to be further evaluated before any conclusion that these arrangements are inefficient and also remarked that there was not any national consensus on the definition of success for the Employment Service: simple placement ratios should not be used without adequate context.

Subsequent developments

In the 1990s, the Department of Labor guided the development of employment services in several important respects:

- In 1993, Congress passed amendments to the Social Security act requiring each state to set up its own Worker Profiling and Re-employment Services (WPRS) system. This involves three basic steps: the early identification the UI claimants who are most likely to exhaust their entitlement to benefits, the provision of re-employment services to them, and the collection of information on outcomes to check continuing benefit eligibility and to facilitate evaluations. This was the first major change to federal law in decades that expanded requirements on UI claimants to attend re-employment services. DOL initiated

and co-ordinated research into econometric modelling techniques and re-employment services.

- The DOL's Employment and Training Administration (ETA) played a key role in sponsoring development of information systems, to reduce duplication of effort in this area, in the mid-1990s. State systems are now integrated at the nationwide level as America's Job Bank (AJB) and America's Talent Bank (ATB).

- The DOL formed a working group with state and federal representatives, which created the 1994 "Employment Service Revitalisation Work Plan". This laid out some key elements which were later incorporated in subsequent PES reform actions, including the development of one-stop centres. It advocated the development of a three-tier approach to service delivery depending on client needs (self-help, basic staff intervention, and intensive services) and the need to monitor "customer satisfaction" and improve job-matching, local office design, staff training, labour-management collaboration, collaboration with other agencies and marketing. In 1994, the DOL awarded grants to six states for planning and/or implementation of one-stop centres.[3] These had, at a minimum, to co-locate the provision of at least six DOL programmes: employment service, unemployment insurance, two training programmes, the Senior Community Service Employment Program and services for veterans. A series of further grants were made to test innovations and promote staff training. Subsequently, all states received implementation grants. By mid-1998, all but a declining minority of the US labour force had access to a one-stop centre.

- In 1998, the Workforce Investment Act (WIA) was enacted. WIA represents the first major legislative reform of the US employment and training system in 15 years. Its mains focus is on codification of programs, services and governance structures for one-stop service delivery, in which the PES as the primary job-finding source plays a central role.

Overall, the federal government responded vigorously to the shift in policy thinking that was behind the GAO report. It increased the federal role in employment service management mainly through a number of specific federal initiatives dating from the early to mid-1990s. However, under WIA states retain the general autonomy over ES management that they gained in 1982, and even have great freedom in implementing the federal one-stop and WPRS initiatives. Views about the overall objectives of ES work no doubt continue to vary across states and it is possible that not much progress has been made on issues such as consistency in statistical reporting practices, or reducing variability in performance as measured by the 1991 GAO report.

3. The new public employment service in the Netherlands (1991-94)

Background

The idea of more direct involvement by the social partners in the operations of the employment service in the Netherlands began to gather momentum in 1980 (if an aborted early attempt at tripartisation in 1969 is discounted). In 1985, the Social and Economic Council of the Netherlands (SER) recommended that the employment service should have a tripartite structure. The minister of the time went along with this advice, hoping that tripartism would "condemn" the social

partners and the government to greater "interdependence" in the fight against unemployment. He added a preference for tripartisation along territorially decentralised lines.

Under draft legislation presented to parliament in 1988, the employment service was to be financed by a block grant from central government, but in other respects was have a fully independent status, with tripartite boards of administration being able to decide policy at both at regional level (where local government would be represented on the 28 regional boards) and national level (where central government would be represented). The Central Employment Board (CBA) was made responsible for guaranteeing a unity of policies and was given powers to issue a compulsory directive to a regional employment board (RBA). The new Act specified that the employment service must assess whether the unemployed are entitled to receive an unemployment benefit, although it was not otherwise involved in the management of benefits. The Minister of Social Affairs and Employment retained a right to supervise, approve the budget, and audit the financial accounts and administrative procedures of the service. Parliament expressed misgivings about giving up budgetary control and asked how the minister could be held accountable for the service after he had renounced powers to direct its policies, but nevertheless voted the reform into effect on 1st January 1991 (Visser and Hemerijck, 1997, pp. 82, 166-168).

Section 121 of the Employment Service Act 1991 prescribed that the Minister of Social Affairs and Employment "shall send a report on the effectiveness and the actual effects of this Act to the Dutch Parliament, four years after this Act has come into force". In July 1994, the Minister established an independent Committee for the Evaluation of the Employment Service Act, chaired by former Minister of the Interior Van Dijk. The report of this committee (Van Dijk *et al.*, 1995), accompanied by a report by the Minister to Parliament about the cabinet's standpoint on the matter, constituted the report to Parliament as required by the original Act. An important part of the evaluation research was contracted out to two research institutes.

Structure and organisation

This evaluation (KPMG-BEA, 1995) remarked that expectations for the new tripartite management structure had been high, but not all the expectations had been met. On the positive side, the organisation had gained more zest. Regional employment services had oriented themselves in various ways towards the demands of the labour market (company visits, market research, etc.) and the image of the employment services among employers had improved.

Nevertheless, overall the report was "wholly negative with respect to the performance and functioning of the new tripartite employment service organisation" (Visser and Hemerijk, 1997, p. 170). Regional autonomy had "gone so far that one can no longer speak of a mission which is propagated unanimously by all RBAs, neither of a nationwide coherent policy (as envisaged by the legislator), not of a recognisable unity in the presentation. The situation led to reports about unequal chances for the same groups in different regions, inefficiencies because each region started to 'reinvent the wheel', and a financial uncontrollability of the organisation as a whole" (Dercksen and De Koning, 1996, pp. 23-24).

The evaluation considered that the failure to establish links between the management of the employment service and the labour market and social security policies[4] of the social partners and the government had undermined the strongest argument in favour of the tripartite formula. Not one of the employer representatives on the RBAs was involved in collective bargaining. Although a number of agreements between the employment service and various branches of industry had been established, a tripartite management structure is not necessary for this.

The evaluation found that the Central Employment Board (CBA) did not fulfil its actual task, *i.e.* managing the organisation. The main reason for this was that some differences of opinion could not be resolved. This led to indecisiveness and postponement of decision-making. An amendment to the National Assistance Act (obliging the employment service to work with social services in administering unemployment assistance benefits), and the Proportional Vocational Integration of Ethnic Minorities Act (which was opposed by employers) led to impasses when either the unions or the employers considered that implementation of the legislation would undermine the employment service strategy.

The relationship between supervision and the principle of equal voting powers for union, employer and government representatives was a source of conflict from the very beginning. This became evident when a report of the Chamber of Audit (a government institution) stated that the minister should not only supervise the lawful use of public funds, but also the efficient use of these. The social partners rebelled against this, because they thought it could allow the Minister to accomplish by supervision what he could not accomplish though the tripartite management structure. The representative of the Minister was, on the one hand, a manager with a minority vote on the board; and on the other hand, represented the financier, legislator and supervisor. This combination created, in actual practice, much friction and irritation, and it was considered to be generally not a viable arrangement.

Financial reports by the RBAs deviated considerably from the rules, and the RBAs did not adjust their level of expenditure to the available funds on time, leading to problems of liquidity. They had hired additional staff, with the result that when the need for cutbacks later became evident funding of subsidies for training, placement and work experience had to be reduced, with a negative impact on disadvantaged jobseekers. And, in the context of extreme decentralisation and weak financial management, the employment service was unable to supply simple information about its activities, such as: which activities were financed? and what are the overall costs of providing training?

Findings concerning co-operation and competition between the employment service and other labour market actors were mixed. The employment service had to a limited extent opened its purchase of training for the unemployed to competitive tender. Numerous forms of co-operation with social service and municipal institutions had developed at regional level. However, this co-operation in actual practice often led to problems, such as vague definitions of tasks and responsibilities, "skimming" of clients, and a reduction rather than an improvement in transparency from the point of view of clients. Some RBAs had also developed activities with respect to recruitment, selection and outplacement which could represent unfair competition with private sector providers of these services.

Results in the labour market

This evaluation (de Koning *et al.,* 1995) starts by further defining the objectives set out in the Employment Service Act.[5] As regards the efficiency objective, the employment service's own statistics for registered vacancies and placements achieved showed a considerable increase from 1990 to 1994. However the Labour Force Survey and the Jobseekers Survey reported little or no increase in placements achieved with employment service help. Also, although employment service statistics showed an increase in the "filling ratio" of vacancies (the proportion of registered vacancies that are filled by the ES), this appeared to be a consequence of economic fluctuations: the number of unfilled vacancies had fallen throughout the economy, because of a recession. A regression was conducted, using 1989-93 data for each of the 28 RBA regions, to explain the job-finding ratio (the ratio of job finders to jobseekers) in terms of a constant, the vacancy ratio (the ratio of vacancies to jobseekers), time trends for 1989 onwards and 1991 onwards, and several control variables. The vacancy ratio was

highly significant, but no other variables were and the evaluation concluded that there was no evidence of a structural break in job-finding outcomes after 1991.

The employment service's instrument for achieving equity had been the definition of target groups for placement into jobs and for training and similar measures, and the "carrier-wave" theory. As regards these objectives:

- The employment service had chosen long-term unemployed, minorities, and women as its target groups. The share of the first two groups had changed little: the share of women had increased but from a base where the equity objective was already achieved (*i.e.* the female share in placements exceeded their share in unemployment) at the outset. On the basis of long-term unemployment shares, the evaluation suggested that the choice of target groups had been partly wrong: the characteristics "age", "low level of education" and "partial capacity for work" should have carried more weight.

- The number of participants in training and hiring subsidies had gone down as compared to 1988 or 1991, while the number of placements in work experience had increased (though it remained low). Yet several evaluations had shown a substantial net impact on employment prospects from training, and hiring subsidies appeared to have a greater net impact than work experience did.

- According to one variant of the "carrier-wave" theory, if the employment service has a large share in the filling of vacancies the chances of the hard-to-place unemployed will increase. This version of the theory was evaluated through a regression using data from the 28 RBA regions: for the period after 1991, there was no significant tendency for the share of the long-term unemployed in placements to be higher where the total PES market share was higher. According to a second variant of the "carrier-wave" theory, frequent contact between job centres and individual enterprises would increase the chances of the hard-to-place. However, 1994 data on contacts with employers showed a significantly *negative* relationship with the share of the long-term unemployed in placements. The evaluation concluded that "neither a large market share in the filling of vacancies, nor frequent contact with enterprises suffice to place the target groups. Training, with or without the carrier-wave theory, remains of the utmost importance" (Dercksen and de Koning, 1996).

Subsequent developments

The evaluation by the Van Dijk committee made recommendations only in rather general terms, but its analysis nevertheless helped formulate subsequent policy. The social partners were furious about the critique, and complained that the experiment had never been given a fair chance and that the government had repeatedly violated agreements (the tripartite principle had not been allowed to function) and plundered the finances (there had been cuts in the aggregate employment service budget). However, the Liberal Party and the Democrats had never liked the corporatist experiment and the third party in the coalition government, PvdA, included an important lobby from the major cities (which have a large unemployment assistance benefit caseload).

Three changes tending to give the tripartite boards something closer to an advisory role were implemented. The government members of tripartite boards were replaced with members appointed by the Crown; the powers of the minister to give "administrative orders" to the employment service were increased; and general management within the employment service was given more freedom to

execute policies. In 1996, part of the direct grant to the employment service was diverted to the municipalities (which administer social assistance benefits) and social insurance agencies, for them to purchase reintegration programmes for disadvantaged jobseekers from the employment service (more recently, they have been allowed to use other providers). Another part of the direct grant to the PES was explicitly budgeted as a payment for the provision of reintegration programmes. This focus was encouraged by a boom in temporary job agencies and private placement agencies in the Dutch labour market at the time, which suggested that there was no need for an expensive public labour exchange. These new financing arrangements reduced the employment service's freedom to choose its own general strategic orientation, whether at national or regional level.

4. Placement and benefit administration in Sweden

Background

The Swedish National Audit Office (*Riksrevisionsverket*, RRV) selects independently the agencies and activities which shall be the subjects of its audits and the auditing methods which are to be used, and is solely responsible for the content of the audit reports (see http://www.rrv.se). It has conducted evaluations of unemployment measures (1993), management effectiveness in the social insurance and labour market area (1996), and local co-operation in labour market policy (1997). As a summary device for this paper, two recent reports dealing with the efficiency of job-broking activities and labour market measures RRV(1999*a*) and control mechanisms within the unemployment insurance (UI) system (RRV, 1999*b*; 1999*c*) are examined, although in fact links with earlier RRV reports may be stronger than the links between these two.

Most employees and many self-employed and employers in Sweden are voluntary members of one of the 40 private UI funds (in most cases linked to trade unions). The funds' administration costs are covered by membership fees, but over 90% of benefit costs are publicly financed. Responsibility for control in this area lies with the insurance unit within the National Labour Market Board (AMS). The RRV audits as summarised here therefore both relate primarily to the work of AMS, although some of the recommendations also call for changes in legislation.[6]

Methodology for comparisons of local employment offices

The study of the efficiency of job-broking (RRV, 1999*a*) attempts to identify local employment office management practices that are conducive to good performance. First, from each of ten industry regions, three employment offices with similar staff resources were selected. Then information on the number of job applicants per vacancy, the fraction of non-Nordic citizens and the fraction of disabled among the job applicants was used for further matching. This procedure identified four comparable pairs of offices, each representing a local labour market characterised by high intra-market and low inter-market job commuting.

Performance was mainly measured in terms of four indicators:

- The fraction of registered jobseekers in 1997 that had found a job in the ordinary labour market by end March 1998.

- The fraction of ALMP participants who finished programmes in 1997 that had found a job by end March 1998.

- The fraction of deregistered vacancies that had been filled by referrals from the office.

- The fraction of job applicants who got a job through a referral from the office.

Local office strategies were studied by examining local office management plans, and through interviews and questionnaires which aimed to identify differences in organisation, local operational objectives[7] and the allocation of resources to across labour market programmes.

Results and recommendations for placement work

There were significant differences in outcomes for three of the four matched pairs studied. The three high-achieving offices were found to:

- Provide better customer reception, with more reliance on computerised job registers available to the unemployed through terminals, more extensive self-service provision and more help with the use of the self-service facilities.

- Do more to sort out jobseekers who can manage on their own, so that they avoid giving individual service to "job-ready" jobseekers.

- Be more "firm oriented" than "jobseeker oriented" (they give more priority to filling vacancies than to bringing the unemployed back to work).

- To a greater extent set their own local activity targets, such as the number of enterprise visits and different targets for special groups, and give higher priority to targets concerning the long-term unemployed and long-term registered jobseekers (they do not necessarily do better on targets set for action plans and referrals).

- Place a much larger fraction of programme participants in training programmes (as opposed to "low-budget" programmes with a lower training content).

The interviews with local office staff identified a number of obstacles to efficiency, some relating to the centrally-determined targets which were: the share of vacancies filled through referrals; a maximum number of long-term unemployed; a minimum number of ALMP participants; and individual action plans for all long-term unemployed. All heads of local offices claimed that a necessary prerequisite for more efficient employment service would be a greater market share for the PES – meaning increased matching possibilities – which, in turn, could be achieved mainly through intensified contacts with firms, but the targets did not reward this. The quantitative target for the number of persons in ALMPs was heavily criticised on the grounds that it forced the offices to place too many of the unemployed in cheap, but inefficient, programmes.[8] The activity targets were considered too easy to attain by manipulative behaviour that had no obvious bearing on the ultimate goals of the PES. For example, to reach a target for referrals of "suitable applicants" to vacancies, employment offices might give the notion of a "suitable applicant" a very wide interpretation, and to reach targets for long-term unemployment they might increase the number of jobseekers defined as not job-ready.

Among the specific recommendations of the report are:

- More emphasis should be put on job placement work in general and computerised self-service, group activities should be tested out further, individual service should be

offered only to jobseekers who need it, and greater priority should be given to business contacts and services for employers.

- Labour market training courses should be used more. Job creation and recruitment subsidies have a significant "in-lock" effect (*i.e.* participation in them reduces the rates of entry into ordinary jobs) or displacement effect.

- AMS should adjust staff resources more flexibly to deal with rapid change in local employment markets. It should make clear rules as to who can be put into the "not job-ready" category (which is not included in the total of "unemployed jobseekers") and how long they can remain there.

Conditions influencing the costs and the behaviour of insurance funds

This audit (RRV, 1999*b*; 1999*c*) is concerned with the general cost-effectiveness, reporting and control procedures for administration within the UI funds, and with control of benefit spending. It is based on interviews (with the leaders of three funds, employment service staff, and AMS and the Federation of UI funds, SO, at national level) and published documents.

The RRV notes various factors which, it considers, hinder effective control:

- Although in 1995 resources for supervision and normative work were increased, this was from an initially very low level. Only about ten people in AMS are responsible for investigating how the UI funds treat individual cases. Political commitment to the "message of control" in the unemployment benefit system has been relatively small and it is difficult to see any well-thought-out strategy for it at any level of the state or other authorities.

- AMS – as compared to the RSV (national insurance agency) – is the central body that has the greatest difficulty in exercising control and governing its funds in a coherent and direct manner. In specific matters of interpretation of the rules on availability for work, the Federation of UI funds (SO) tends to advocate broader interpretations than AMS has in mind, and there are some examples of its success in this matter.

- The civil-law status of the UI funds has prevented linking of UI records to other records (the secrecy law allows linking of registers only between state authorities), and hinders the observation of errors in the system.

- The state has not been very active in developing information technology (IT) solutions to ease the flow of information about unemployment benefit: RRV takes a negative view of the current arrangement, which is that SO owns and administers the IT system. There is no overall information on internal activities and the use of resources in the UI funds, and statistics and analyses generally are underdeveloped.

- The funds act on tip-offs that they receive, but they carry out scarcely any own-initiated control of beneficiaries' status at all. There has been discussion of giving UI funds responsibility and powers to carry out such work, but the question remains open.

- Because UI fund administration costs, including the costs of any control activity, are financed through membership fees, whereas benefit payment themselves are mainly

reimbursed by the state, members of the fund do not gain anything from increased control activity by the fund.

Monitoring of availability by employment offices

Employment offices record their evaluations of the suitability of clients for various type of referrals, and outcomes of actual referrals to jobs and measures, etc., in the "daily client journal" (logbook) section of the computer system AF90. The UI funds are unable to access these records. If there is evidence that a client is not available for work, the employment officer should "write a report" which is sent to the relevant UI fund for a decision. If then the UI fund decides not to impose a sanction, the case is sent to AMS for examination. If AMS decides against the UI fund, the fund loses the state grant that covers the cost of benefits paid to the person concerned (this happens in less than 2% of the cases in which the UI fund does not impose a sanction).

The number of reports and sanctions imposed for availability and suitable work reasons is low (the majority of sanctions are imposed for other reasons) and this most likely reflects a low propensity among employment officers to impose the rules strictly.[9] Employment officers usually talk with the UI fund before any written report is made, and there is a risk that doubts about availability may be taken no further, not even being recorded in the logbook. After the most recent tightening of sanction provisions, many executive officers at the UI funds and in the employment offices find the regulations too strict.

The frequency of "writing reports" varies greatly – with some employment offices writing no reports at all – but the variation shows no demonstrable statistical pattern, by region or in any other way. Employment office practices in keeping logbooks are also extremely variable. AMS guidelines in this matter are so general that it has little real control, and guidelines in relation to concepts such as "suitable work" and "referral" leave much room for divergent interpretations and perspectives.

The heterogeneous nature of the objectives of labour market policy can leave employment offices unsure how much priority to attach to the benefit control objective, and this makes them reluctant to use the instruments they have. A strong attachment to the principle of "coherence" in relations with unemployed people tends to lead, in practice, to concentration only on the service role.

In 1997, the media gave attention to Swedish construction workers who were working in Norway and collecting Swedish UI benefits.[10] AMS decided to summon altogether 18 000 construction workers to employment offices at short notice. As a result, 2 600 UI benefit claimants were removed from the jobseeker register. Only 37 reports were written by employment officers to UI funds: most of those removed from the register were ill, had found a job, had enrolled in education, been on vacation etc. However, registered unemployment in the construction workers' UI fund decreased significantly more than in other UI funds, compared to 12 months earlier. A check in 1998 of the UI funds for municipality and state employees gave similar results (RRV, 1999*c*, pp. 60-61).[11]

Recommendations for the control of unemployment insurance

The most general conclusion of the audit report – that the private-law status of the UI funds limits the possibilities of AMS and other agents to develop an efficient control strategy for the UI system – could imply a recommendation for wholesale institutional reform. However the report in practice makes recommendations for adjustments within the present framework.

Noting that the UI funds handle a large part of the state budget, RRV recommends that law be changed to allow UI funds (and other associations) to be object of inspection by the state, and to give UI funds the same status as public authorities as regards both the exchange of information under the secrecy law and the rules for handling decisions and complaints. The UI funds should have a clear responsibility for the correct administration of benefits. But since they are unable to ascertain themselves whether their unemployed members are available for work, RRV recommends that they should have access to the "daily client journal" (logbook) record in the AF90 computer system on a running basis. However, this does not mean the UI funds should have primary responsibility for the application of availability criteria.

AMS should be more active in its supervision role. On the basis that employment offices have variable practices and apparently weak incentives to check availability, RRV considers that more stringent central AMS requirements for recording contacts with the unemployed in the "daily client journal" are absolutely necessary. The report also recommends that AMS should carry out a thorough overhaul of the definition of suitable work, which has been largely unchanged for over 20 years, and conduct a close examination of variations across individual counties in practices for monitoring availability and developments in them.

5. Regional placement offices and insurance funds in Switzerland

Background

The Swiss Parliament in 1995 voted a revision of federal unemployment insurance legislation with the intention of changing from a system of passive benefit receipt towards active placement of the unemployed. Under this law, as from 1 January 1996 Switzerland's 26 cantons had to create and manage about 130 regional placement offices (ORP), and as from 1 January 1997 they had to create and manage a minimum quota of places on temporary jobs and related labour market programmes for unemployment insurance beneficiaries. The intention was to limit passive benefit payments to the first 150 days (30 weeks) of any 2-year benefit entitlement period by placing the unemployed in active measures (OECD, 1996*c*, p. 142): in practice, the anticipated level of participation in active measures has been achieved, but local offices have flexibility over the timing of referrals to them.

The National Council (the chamber of Parliament representing the political parties) on 6 November 1996 ordered an evaluation of these measures. The relevant ministry, OFDE, commissioned ATAG Ernst & Young Consulting to carry this out. The consultants negotiated the research methodology with OFDE, which supplied a statistical database contained information for the period July 1997 to February 1998 on about 300 variables (both administrative data from the national PES computer systems and survey data from the Federal Statistical Office), relating to 125 ORP (a few which were not yet fully operational were excluded). The consultants also selected nine ORP for in-depth on-site visits and analysis of management methods, so as to sharpen the interpretation of statistical findings and investigate a range of issues not covered by the statistics. The main report (OFDE, 1999*a*) was issued in April 1999. The Swiss government accepted all the recommendations, and implementation of them by the economy ministry SECO (which has incorporated OFDE) is now well under way.

Econometric analysis

Four variables were selected for use as performance indicators which were, in order of importance:

- The average duration of job-search among jobseekers who had entered a stable job (excluding spells with other reasons for exit from the register): this varied from 120 to over 360 days, with an average of 271.3 days.

- The proportion of deregistrations that were followed by a re-registration (in practice, this was the proportion of new registrants who had been registered at least once previously during the three preceding years): this averaged 9.8%.

- Entries into long-term unemployment relative to the stock of unemployed (on average 2.6% of the registered unemployed per month entered long-term unemployment).

- Exits from long-term unemployment prior to benefit exhaustion (which occurs at two years), relative to entries to long-term unemployment. Exits from long-term unemployment averaged 1.4% the registered unemployed per month, considerably less than the 2.6% rate of entry to long-term unemployment. However, in the least efficient ORP, 11/12 of those becoming long-term unemployed exhausted their benefits.

Exogenous variables used included the structure of unemployment by age, sex, nationality and PES placement category ("special case", "difficult to place", "average aptitude for placement", "easily placable", "needs no support"); and the industrial structure, rural/urban character, age structure etc. of the region in general. Correlation and factor analysis was used to isolate variables which so far as possible were mutually independent and had high explanatory power. This analysis indicated that the exogenous factors alone could cause the average duration of job search to vary from one ORP to another by over 200 days, and could explain 50% of overall variance in this performance indicator and somewhat smaller proportions of variance in the other performance indicators. On this basis, performance indicators corrected for the influence of exogenous factors were calculated.

At this stage, the evaluation lists both measurable and non-measurable factors which are endogenous, in the sense that they can be directly influenced by management. The measurable variables include the number of jobseekers per employment counsellor, the size of the ORP, expenditure per jobseeker, the frequency of benefit sanctions, the number of vacancies registrations, referrals and placements by the ORP and the frequency of counselling interviews. The non-measurable factors include the organisational structure, management structure, the "culture of enterprise", and the quality of sanctions, placements, counselling, etc. The measurable variables were able to explain only 15 to 25% of the variance in the corrected performance indicators. The evaluation states that the qualitative differences remain more important than the measurable differences and then enters into the analysis which is based partly upon the large-sample (statistical) comparisons but also draws heavily upon findings from the detailed inspections of nine selected ORP.

Placements, vacancies, counselling and benefit sanctions

Overall there was no statistical correlation between placements per employment counsellor and the performance indicators used by the evaluation. The evaluation concludes that in general the quality of placements rather than their volume is the determinant of success. The 12 ORP with the worst outcomes, which were below average in terms of all the performance indicators, could be

divided into two categories: "placement-oriented" ORP, which concentrate on the jobseekers who are easiest to place, and "passive and social" ORP which generally had a high rate of "referral errors" (number of referrals per placement). Both these types of ORP rarely imposed benefit sanctions. The 17 ORP with the best outcomes gave relatively more attention to difficult-to-place jobseekers and they did not have the highest overall rates of placement. Rather, they used placement as an instrument for accelerating the return to work in a targeted way with attention to hard-to-place jobseekers. They also had a below-average rate of "referral errors".

The ORP which succeeded in obtaining many registered vacancies generally had a much lower average duration of job search. The nine ORP examined in detail devoted from 3.5 to 18.5% of personnel resources to the "active" acquisition of vacancies, and efforts in this area gave the expected results, *i.e.* increased vacancy registrations. Some ORP, situated in zones of intense labour market activity, can nevertheless become a "regional job pool" which is used spontaneously by both employers and jobseekers and in this case the ORP may be able to adopt a passive role, as long as it maintains the quality of its referrals. An unsatisfactory quality of referrals was the main factor cited by employers for notifying fewer or no vacancies to the ORP in an earlier opinion survey (MIS-Trend, 1998).

There was a significant correlation between the frequency of counselling interviews and the prevention of referral errors. However, counselling interviews use 30% of personnel resources. The most successful ORP had deliberately reduced the frequency of counselling interviews (except for the first few after initial registration) in the case of jobseekers with no shortcomings in terms of motivation, placeability or information. They were thus able to increase the frequency of counselling interviews in a targeted way when appropriate.

Jobseekers, understandably, often prefer not to take the first "suitable" job that is proposed to them: they prefer a job that they find personally "appropriate". The primary aim of Swiss legislation is, however, that jobseekers should rapidly find and accept a "suitable" job. This leads to a divergence of aims between the employment counsellor and the jobseeker, which has a major influence on relationships between the two: a counsellor who seeks to implement the aims of legislation must exert some pressure on the jobseeker. As a general strategy, the ORP should progressively reduce jobseekers' freedom of choice as the duration of the unemployment spell increases. Counsellors should seek to establish a common understanding about objectives. At first, counselling should take the jobseeker's professional aims and choice of work extensively into consideration. But as the unemployment spell continues, the scope of job search should be widened. And counsellors should define these "rules of the game" at the outset, so that the threat of sanctions is credible.

The average rate of sanctions per jobseeker in the ten ORP with the highest rates was 43 times higher than the average for the ten ORP with the lowest rates, and the evaluation concluded that current arrangements did not ensure the uniform application of benefit legislation in Switzerland. Apart from the "placement-oriented" or "passive and social" approach of some ORP, some factors involved are:

- Support for sanctions by the head of the ORP or the cantonal authority is influential.
- Many counsellors do not know the law well, and in cases of doubt they tend not to impose a sanction.
- The ORP with heavy workloads in terms of jobseeker cases per counsellor impose sanctions less frequently.

- Some ORP discharged counsellors of all administrative work in relation to sanctions, but in some others, administrative arrangements impose heavy burdens on a counsellor who applied a sanction and delay its execution for several months. Employment counsellors should be able to execute sanctions independently and immediately.

The average duration of job search is negatively correlated with the number of sanctions and days of benefit stop per jobseeker, and the evaluation concludes that a definition of objectives combined with effective checks and a credible menace of sanctions encourages individual initiative on the part of jobseekers. However some ORP succeed in exerting the necessary pressure even with sanction rates below average. Sanctions are only effective if jobseekers are punished under rules that they understand and if jobseekers are in a position to find and accept a job. Sanctions do not necessarily improve placement outcomes with the hard-to-place: some ORP which had severe sanction practices in relation to the long-term unemployed were less successful in placing them than other ORP which made only moderate use of sanctions.

Employment counsellors can also encourage individual initiative through placement into demanding or constraining temporary work programmes and through referrals to vacant jobs. However such activation measures may not in every case encourage individual initiative, since it can happen that jobseekers prefer temporary work programmes to re-entry to work. Employment counsellors should take this into account through a targeted and individualised use of the available incentive measures.

Staff skills and local office organisation

The task of employment counsellors is to accurately identify individual barriers to employment (called "deficits") in terms of information, capabilities and motivation, and use the right combination of instruments such as information, direct referrals to jobs, referral to labour market measures, or benefit sanctions. Common mistake by counsellors were:

- Imprecise determination of the barriers to employment.

- Treatment of one of the problems in isolation instead of systematically tackling them all: *e.g.* tackling a lack of motivation only through intensified efforts at placement or training.

- Use of instruments which are unlikely to resolve the problem, *e.g.* some counsellors refer people to temporary employment or training indiscriminately for any kind of problem.

Counsellors needed to be professionally qualified, logical, skilful, able to manage conflict, and committed to their work, and to exert charisma in their relationship with jobseekers and develop close contacts with them. Because jobseekers are all different and have different needs, the employment counsellors within an ORP should form a heterogeneous group.

On the basis of practice in a few offices which were considered to have the best structures, the evaluation recommended that both vacancy acquisition and employment counselling should be organised along industry lines. The ORP manager should create and maintain a "consistent return-to-work culture". The cantons should avoid giving placement offices any secondary objectives that get in the way of this primary objective. Jobseekers with good employability should be motivated to find work themselves through detailed checks on job search with corresponding use of sanctions; those who are unlikely to find work without help should get targeted referrals to vacancies; and referrals to

labour market measures should be made only when they help to accelerate, directly or indirectly, the re-employment process. This culture should also give the ORP a "corporate identity" within the labour market, which both ensures contact with employers and facilitates the application of pressure to jobseekers.

Overall system management

In addition to the various relatively specific recommendations mentioned or implied in the analysis cited above, the evaluation makes recommendations about general management issues. The cantons should seek to eliminate overlaps between different institutions at the cantonal level. OFDE should design its financing and reporting system for the employment service around the re-employment objective[12] and should continue to provide advice and recommendations to the ORP about how to achieve targeted and successful re-employment.

Various intermediate indicators relating to the production of specific services (such as the number of counselling interviews with jobseekers, the number of placements, the number of referrals to labour market measures or the number of sanctions) are available, but the use of these as targets can become counter-productive. Therefore, although detailed recommendations concerning such specific services may be made, they should not be applied in an obligatory manner. The ORP should, in specific circumstances according to their judgement, be allowed to develop their own strategies.

The evaluation recommends the use of a global indicator for PES performance based upon regression-adjusted outcome measures relating to registered unemployment (similar to the performance indicators used for the evaluation: the indicators now entering operational use are differently defined in certain details), and one additional outcome measure, success in combating benefit abuse, which should be measured through specific sample investigations. It is important to get the weights within the global indicator right: if too little weight is given to preventing benefit exhaustion, counsellors might avoid placing individuals who are close to exhaustion, because this would increase the average duration of job search; if too little weight is given to avoiding re-registrations, counsellors could reduce the average duration of job search by artificially de-registering and then re-registering jobseekers before placing them. After aggregation across the different ORP within each canton, as well as across the different indicators, the overall performance indicator for individual cantons varies within a range of about +20/-20%. The evaluation proposes to make the cantons, which are responsible for management of the ORP, bear 20% of ORP administration costs in the theoretical case of complete non-performance (*i.e.* -100%).

The structure of insurance funds

An annex to the main evaluation (OFDE, 1999*b*) responds to subsidiary terms of reference which required to consultants to: analyse the current structure of UI funds; highlight its strengths and weaknesses; and set out a plan for optimising the current structure, a model for an alternative structure, and a comparison of the current structure with both the alternatives.

People who register as unemployed at a placement office for the first time are asked to choose a UI fund. According to placement offices, the main things that unemployed people require from a fund are reliable and rapid payment of benefit; minimal administrative hassle and transaction costs; no benefit sanctions;[13] and courteous treatment. To the extent that the unemployed lack prior knowledge of the quality of different funds – which is quite often the case – competitive forces cannot come into play and in this case the unemployed typically choose the cantonal fund because they

believe (incorrectly) that it is the fund that pays the benefit and that the public funds are more solvent. However, the most beneficiaries did have a certain degree of prior knowledge about the choices available.

At the time of data collection there were 26 public (cantonal) UI funds and 22 private (industrial) UI funds (managed by employers and employees: four of them amalgamated in 1999) with altogether over 250 local offices paying benefits. All the funds are obliged to offer more or less the same product, since their main activities – checking check benefit entitlements and imposing benefit stops, paying benefits, and reporting to OFDE – are defined by legislation, and they are not allowed to charge fees. Six large private funds (the "F" funds) receive a fixed payment per beneficiary (more precisely, per "unit of service provided") to cover administrative costs: this system was chosen for them because their complex structure – with many local office branches – made detailed cost accounting excessively difficult. However, the evaluation remarks, this arrangement creates an incentive to attract as many beneficiaries as possible and allows the "F" funds to make a profit (which may be spent on measures to attract more beneficiaries). All the other funds are refunded their actual administration costs, up to a ceiling: their staff have an incentive to maintain their customer base in order to avoid lay-offs, but they do not have such a strong incentive to expand. In some of the smallest of Switzerland's 2 200 communes there may be only a few unemployed, all of whom use the cantonal fund. Overall, the public funds have slightly more than 50% of the market, the large "F" funds have nearly 40% and the other private "D" funds, slightly less than 10%.

There are significant differences in service and costs between the different types of fund:

- The funds typically pay benefits 10 to 15 days into the benefit month. The private funds pay 2 to 4 days earlier on average, although the "F" funds are slower than the "D" funds.

- The average number of beneficiaries per local office is 547 for the "F" funds, 1 741 for the "D" funds and 6 225 for the cantonal funds. The dense networks of local offices used by "F" funds are a prime element in their appeal to customers.

- The private funds impose only about half as many benefit sanctions per beneficiary as the public funds. The private funds claim that their sanction rates are low because they are more active in providing information to beneficiaries than the public funds are. Sanctions involve additional costs (notably, when cases are appealed) which are not entirely reimbursed under the "unit of service provision" system. Given that the range of variation in sanction rates across UI funds remains far less than range of variation in sanction rates across ORP, the evaluation does not regard the lack of incentives to impose sanctions as a fundamental problem.

- Administration costs per "unit of service provided" varied in extreme cases in the ratio 5 to 1, although variation among the 15 largest funds was rather less than 2 to 1. Costs were unrelated to the overall size of the funds but they were clearly higher in funds which (usually because they had a dense network of local offices) averaged fewer than 1 500 to 2 500 beneficiaries per local office. The "F" funds (except for the largest one) have administration costs slightly above average but in compensation for this, they provide higher levels of service.

The evaluation rejects the alternative model of a single UI fund, on the grounds that the advantages of competition would be lost. It recommends that:

- Payments to cover administrative costs should be based on "unit of service provided" for all the private funds.[14] The measure of "units of service provided" should be modified to include services such as the number of appeals against benefit sanctions handled, the speed of benefit payments, and personal counselling interviews. Payments per "unit of service provided" should vary by region, but not by fund. (The current system of negotiation of the payment per unit fund by fund, for the "F" funds, results in some of them getting higher payments, which gives them an unfair competitive advantage).

- Funds should be obliged to provide minimum levels of service, and OFDE should issue detailed instructions to them and monitor compliance. Funds should be obliged to accept all applicants, or failing this a system of public funds should be maintained.

6. Conclusions

The audits summarised here were in some respects more substantial evaluations of PES policies than OECD reviews have been. To varying degrees, they analysed detailed statistics at local level, conducted extensive field-work interviews, developed their analysis over a period of several years before delivering a final report, and guided major policy reforms. Thus a summary of national audits can, it is hoped, a useful addition to the rather limited international literature on evaluations of the PES.

Findings and recommendations of the audits

These audits all suggested that PES management needed to be, in important respects, more centralised.[15] The US audit's main conclusion was that the federal government role should be strengthened; the Dutch evaluation of recent experience with decentralisation and tripartite management was negative: the Swedish audit of UI funds concluded that legislation should create new supervisory powers, AMS should supervise them more actively, and AMS should greatly reduce variations in local employment office practices; and the Swiss evaluation recommended that central funding for placement offices should be related to defined outcome indicators.[16] Several factors clearly lie behind the centralising tendencies of the audits:

- Evaluations in the United States and Switzerland were based primarily upon a detailed comparison of management practices and outcomes across local employment offices and regions, and the other two evaluations also analysed local and regional data to a certain extent. Such research, not surprisingly, reveals wide local and regional variation in management strategies and outcomes, which leads naturally in turn to a recommendation that strategies nationwide should be aligned on best-practice examples.

- The US and the Dutch evaluations both found that decentralisation had led to waste in terms of duplicated effort (*e.g.* in developing computing systems) and incompatible or even non-existent statistical and financial reporting.

- According to the Dutch evaluation, given groups in the labour market should not have unequal chances in different regions as a matter of principle: the Swiss and Swedish evaluations, without evoking this specific principle, nevertheless considered that action was needed to reduce very large variations in benefit sanction rates (due to erratic management practices at the local level).

None of the countries concerned here established or re-established a traditional centralised model of management, where all detailed local office procedures are centrally determined. Rather, they established various forms of controlled decentralisation. The Netherlands and the United States created certain new requirements (for the creation of reintegration programme places in the Netherlands, WPRS and WIA requirements in the United States). The audits in Switzerland and the United States called for federal technical assistance, and reforms in Switzerland and the Netherlands made the financing of local PES units dependent on performance, but without prescribing details at local level.

Among the various more specific conclusions, it may be noted that the Dutch and Swedish evaluations both considered training programmes to be more effective than other ALMPs; and the Swedish and Swiss evaluations both considered that the most efficient offices sort out the jobseekers who can manage with self-service, so as to concentrate individual service only on those who need it.

The definition of PES performance

The bodies conducting these evaluations did not all have much previous experience with PES issues. How accurate were their evaluations? A prime difficulty is that, as ICESA commented in relation to the US audit, there is not a consensus on the definition of success for the PES. The evaluations too often sidestepped this problem, adopting a definition of performance without much discussion of its limitations (in the US case, this occurred at the stage of the original remit to the GAO, which defined the audit in terms of placement performance). Most noticeably, the weight given to the employment service role in administering benefits varied greatly. The Swiss audit stated that according to the Swiss unemployment insurance law employment counsellors should seek to get the unemployed rapidly into suitable jobs and it consistently assessed performance against this objective. The Dutch and US audits, on the other hand, paid relatively little attention to employment service performance in benefit administration. In the US, the states which were found to not set measurable performance goals and not achieve high placement rates may have been those which instructed the employment service to limit benefit expenditure and were successful in that aim: but if so, this could not have been documented because this objective was never recognised at an analytic level. More remarkably, the Swedish evaluation of employment office performance gave no attention, even in its qualitative evaluation, to performance in terms of monitoring benefit eligibility, so that the RRV audits – viewed together – involve the type of inconsistencies which RRV (in its second report) criticises, when it observes them in operation.

The PES uses several instruments, some more easily measurable than others, whose impact on final outcomes is not always clear. Any focus on the more easily-measurable intermediate outputs, if this diverts attention from the final outcomes that the service should be aiming to improve, may undermine the accuracy of the research findings. The US audit concentrated excessively on placement rates which, according to the Dutch and Swiss audits, are not reliable indicators of overall performance. The Swiss audit – which was able to draw upon very detailed statistics – took a low average duration of registered unemployment spells and low incidence of re-registrations after exit from unemployment, as the central measures of performance. It is probably not so easy to identify the determinants of good performance accurately when such a definition is used, but the extra effort is probably necessary.

Evidential basis and technical quality of the analyses

The Dutch and Swedish reports were only able to use relatively limited amounts of data on local operations: in the Netherlands data below regional level were not used at all (they were probably unavailable), and in Sweden the study took in only four matched pairs of offices. The pairwise matching strategy used in Sweden appears to be a satisfactory technique for holding constant the factors that are beyond the control of the local office, when resources only allow detailed attention to a few offices.

The US and Swiss evaluation teams worked for two years or more on their projects, and examined data from a large sample of local employment offices, backed up by relatively systematic gathering of more qualitative indicators for a subsample of the offices. However, whereas the US evaluation mainly obtained information about the use of particular procedures through telephone interviews, the Swiss evaluators visited local offices and got a broad overview of issues as seen at that level: the report comments on, for example, the qualifications and psychological profile of employment counsellors, the amount of office time spent processing appeals against benefit sanctions, and the internal "reinsertion culture" and external "corporate image" of employment offices. In the absence of such detailed examination of employment office practices, there is greater risk of inattention to the less-easily-measurable factors and their importance.

Various detailed observations in the audits (*e.g.* that co-operation among local actors often had negative results for clients in the Netherlands, that the employment service log-book-keeping routines do not suffice to document cases where availability for work ought to be questioned in Sweden, or that some offices use placements into programmes as a temporary solution, without attention to whether they do in fact accelerate reinsertion, in Switzerland) by their nature cannot easily be based on specific evidence: the reader has to trust the authors to report impressions from visits and interviews in an accurate way. The (generally forceful) overall conclusions of the audits also rely quite heavily upon the overall judgement of the authors. The observation that some local management procedures are systematically more effective than others does not lead in any simple way to the US audit's conclusion that greater federal leadership is needed, nor to the Swiss audit's recommendation that federal funding of PES expenditure should be related to performance indicators, for example.

The Swedish audit of control within unemployment insurance focuses largely on institutional factors which make it difficult to control the behaviour of UI funds and check availability and suitable work criteria. However institutional arrangements were essentially the same in the past, when there was little perception of systematic failure in this area in Sweden. The observation that the relevant local employment office practices vary greatly is probably not much disputed, but in other respects a more detailed factual analysis might have been a useful discipline and aid to the policy debate.[17]

Recommendations for future audits

Future audits of employment service should address the current political debate in their country, but should also try to go beyond this, starting off with an assumption that PES work can have several legitimate aims, such as:

- Provision of income support to the unemployed and correct administration of unemployment benefits.

- Making accurate referrals to labour market programmes (since inaccuracy reduces the value of the programmes).

- Providing high-quality job-broking and related services to employers and jobseekers, regardless of their employment or benefit status.

- Achieving nationwide consistency in terms of levels of service, computing systems and accounting and statistical reporting standards.

- Helping groups with particular needs, for social reasons.

If any of these objectives will be largely ignored, the reasons should be spelled out (*e.g.* it may be argued that the service needs of employers are adequately met by private sector mechanisms, or that local innovation is a more important objective than nationwide consistency). It will help if the legislation itself carefully defines the remit of the employment service.

On the basis of such a broad definition of the aims of PES work, the audit process should then gather and analyse as much objective information as possible, drawing *inter alia* upon the methods of the audits cited here. When analysis has focused mainly on institutions and procedures, findings should be balanced with a search for more concrete and statistical indicators. When analysis has been largely statistical and measurement-based, findings should be balanced by further considering less-easily-measurable inputs and outputs of the service and the reservations that practitioners may have in relation to technocratic recommendations, before settling the final conclusions and recommendations.

NOTES

1. With contributions by Anders Forslund, IFAU, Sweden. Advice from Ann-Kristin Nilsen of the Norwegian Ministry of Labour and Government Administration is also gratefully acknowledged.

2 EEC (1999) might be seen as falling into the category of audits covered here (the main inputs were hearings by a UK parliamentary committee). DEETYA (1996) and Raïsänen and Skog (1998) were broad evaluations by experts in the relevant ministry.

3. A second report (GAO, 1995) concluded that the multiplicity of training programmes and funding streams for them "wastes resources and confuses and frustrates clients, employers and administrators".

4. Some RBAs took a definite view that the interpretation of the legal requirement for the employment service to notify cases where willingness to accept jobs or training was in doubt was not their responsibility (OECD, 1993, p. 30).

5. For de Koning *et al.* (1995) the labour market is working efficiently if either unfilled vacancies or unemployment occur, but not both at the same time. Thus "the labour market can function optimally, while supply and demand are not in balance. This restrictive definition helps to define the contribution of the Employment Service to the efficient operation of the labour market".

6. Reports RRV(1999*a;* 1999*b*) also examine control in welfare systems and the income tax system.

7. All offices in Sweden were subject to seven centrally-determined quantitative targets in 1997. Six of these targets were clearly "jobseeker oriented", rather than geared towards filling vacancies. In addition to these centrally determined targets, the offices to larger or smaller extent set up local, often more qualitative, targets.

8. The target for placing a certain number of people in labour market measures was abandoned in 1999.

9. Survey evidence reported in Forslund (1999) suggests that employment officers have a low propensity to impose the rules strictly.

10. RRV (1998*b*) concluded that the UI recipients work in the black market only to a relatively small extent. Cross-checks against registers for sickness benefits, parental leave benefits and income taxes performed in the period 1994 to 1996 indicate that cheating through receipt of UI benefits while working in the regular labour market or receiving other benefits is well below 1%. An earlier report (RRV, 1998*a*) concluded that black market work amounts to around 5% of the total in the Swedish economy, but most of it is performed by persons working in the regular labour market as well.

11 RRV (1999*c*) does not document the falls in registered unemployment around the time of the AMS interview programmes. Unemployment in the building workers' fund did decline sharply during 1997, but this was a period of general decline. Unemployment in the municipal care workers' fund declined faster than average in 1998, but there could still be other reasons for this.

12. OFDE (1999*c*) further explores the redesign of the financial and reporting system for the employment service in Switzerland around the re-employment objective.

13. Swiss legislation specifies that placement offices impose sanctions for insufficient job search, non-co-operation with placement efforts and refusal of suitable work or programme places. UI funds impose sanctions for other reasons and also have some latitude to determine the duration of sanction.

14 OFDE (1999*b*) discusses several methods for fixing the price paid to insurance funds for each "unit of service provided". Competitive tendering, where only the funds which submit the lowest-priced bids are allowed to operate in the market, can in principle generate the right price – but only if additional bidders (insurance companies, banks, etc.) are brought into the bidding process and bidders are prevented from colluding.

15. OECD (1998, 1999) suggest that there is a trend to decentralisation in PES administration, which may lead to more effective policies. Austria and Denmark, which both made PES management more decentralised and tripartite in 1994, have conducted evaluations which were more limited in scope than those here but were generally favourable to both of these changes (Auer, 2000, pp. 81-82). Thus evaluations in Denmark found that regional plans were of high quality, being both adapted to local needs and developed in close communication with central authorities, and that decentralisation had increased co-operation with various actors at the regional level and their involvement in the policy process (Madsen, 1999).

16 It may be suspected that official external audits are used as a political vehicle for strengthening central control. There was external political involvement in the commissioning of the US audit. In Sweden the National Audit Office acts independently, but it is by nature a central body. The evaluations in the Netherlands and Switzerland stem from a general parliamentary remit some years earlier.

17. In Sweden the UI funds have about 2 000 staff (the same as in Denmark, a smaller country) and the costs of administration for UI are about 2% of the benefits paid, which does not suggest that administration is unduly costly. However the rate of benefit sanctions in Sweden appears to be low in international comparative terms (OECD, 1996*a*, p. 107; 1996*b*, pp. 27-28, 53; Boone and Van Ours, 2000). Field work should also be used in documenting the implementation of eligibility criteria, *e.g.* to observe whether some advertised vacancies (with employment conditions that represent "suitable work") stay unfilled for significant periods (while apparently qualified unemployed are registered in the same local area).

BIBLIOGRAPHY

AUER, P. (2000), *Employment Revival in Europe: Labour Market Success in Austria, Denmark, Ireland and the Netherlands*, ILO, Geneva.

BOONE, J. and J.C. VAN OURS (2000), "Modelling Financial Incentives to get Unemployed Back to Work", CEPR Discussion Papers No. 2361, CEPR, London.

DEETYA – Department of Employment, Education, Training and Youth Affairs (1996), *Working Nation: Evaluation of the Employment, Education and Training Elements*, EMB Report 2/96, Canberra.

DE KONING, J, P.A. DONKER VAN HEEL, A. GELDERBLOM, P.J. VAN NES and C.Th. ZANDVLIET (1995), *Arbeidsvoorzieningswet in perspectief: Evalutatie Arbeidsvoorszieningswet 1991-1994, Deelonderzoek B: Resultaten en Kosten*, VUGA, The Hague.

DERCKSEN, H.J, and J. DE KONING (1996), "The New Public Employment Service in the Netherlands", Discussion Paper FSI 96-201, Wissenschaftszentrum, Berlin.

EEC – Education and Employment Committee (1999), *The Performance and Future Role of the Employment Service*, Seventh Report, House of Commons, Session 1998-99, Vol. 1, Cmnd 197-I, Stationery Office, London.

FORSLUND, A. (1999), "Brott och straff – Om incitamenten i arbetslöshetsförsäkringen", Stencil 1999:5, IFAU, Uppsala.

GAO (1991), *Employment Service: Improved Leadership Needed for Better Performance*, GAO/HRD-91-88, United States General Accounting Office, Washington DC.

GAO (1995), *Multiple Employment Training Programs Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results*, GAO/T-HEHS-95-53, United States General Accounting Office, Washington DC.

KPMG-BUREAU VOOR ECONOMISCHE ARGUMENTATIE (1995), *Arbeidsvoorzieningswet in perspectief: Evalutatie Arbeidsvoorszieningswet 1991-1994, Deelonderzoek A: Structuur en Organisatie*, VUGA, The Hague.

MADSEN, P.K. (1999), "Country Employment Policy Reviews: Denmark", paper presented to an ILO Symposium on "Social Dialogue and Employment Success", Geneva, 2-3 March.

MIS-TREND (1998), *Évaluation de la qualité des Offices Régionaux de Placement (ORP) et des Mesures de Marché du Travail (MMT) sur la base d'un sondage représentatif effectué par téléphone auprès des demandeur d'emploi et des entreprises: Rapport final*, MIS-Trend SA, Lausanne.

OECD (1993), *The Labour Market in the Netherlands*, Paris.

OECD (1996*a*), *The Public Employment Service: Denmark, Finland, Italy*, Paris.

OECD (1996*b*), *The Public Employment Service: Austria, Germany, Sweden*, Paris.

OECD (1996*c*), *Labour Market Policies in Switzerland*, Paris.

OECD (1998), *Local Management for More Effective Employment Policies*, Paris.

OECD (1999), *Decentralising Employment Policy: New Trends and Challenges: the Venice Conference*, Paris.

OFDE (1999*a*), *Etude d'évaluation des ORP: Rapport final*, OFDE Contributions à la politique du marché du travail No. 14, Berne.

OFDE (1999*b*), *Examen de la structure de caisses (sous-mandat 1): Rapport final*, OFDE Contributions à la politique du marché du travail No. 16, Berne.

OFDE (1999*c*), *Mandat de prestations et mécanismes d'incitation pour les ORP*, OFDE Contributions à la politique du marché du travail No. 17, Berne.

RAISANEN, H. and H. SKOG (1998), *Towards a Better Functioning Labour Market: Senior Government Advisors' Report for the Reform of the Labour Market Policy System*, Ministry of Labour, Helsinki.

RRV – Riksrevisionsverket, National Audit Office (1998*a*), *Svart arbete 2*, 1998:28, RRV, Stockholm.

RRV (1998*b*), *Svart arbete 3*, 1998:29, RRV, Stockholm.

RRV (1999*a*), *Effektivitet i arbetsförmedlingen*, 1999:15, RRV, Stockholm.

RRV (1999*b*), Kontrollen inom välfärdssystem och inkomstbeskattning, 1999:39A, RRV, Stockholm.

RRV (1999*c*), Kontrollen inom välfärdssystem och inkomstbeskattning: Bilagedelm, 1999:39B, RRV, Stockholm.

VAN DIJK, C.P., M.W.M. VOS-VAN GORTEL, W.J. DERCKSEN, S.W. DOUMA and M. SCHELTEMA (1995), *Arbeidsvoorzieningswet in perspectief: Evalutatie Arbeidsvoorszieningswet 1991-1994*, Rapport Commissie Evaluatie Arbeidsvorrzieningswet, VUGA, The Hague.

VISSER, J. and A. HEMERIJCK (1997), *"A Dutch Miracle": Job Growth, Welfare Reform and Corporatism in the Netherlands*, Amsterdam University Press.

PART I

THE LABOUR EXCHANGE FUNCTION OF THE PUBLIC EMPLOYMENT SERVICE

A "MODEL" LOCAL EMPLOYMENT OFFICE IN PORTUGAL

António Charana
Director of the Employment Department,
and **Vítor Rodrigues,** Director of Loulé Job Centre,
Instituto do Emprego e Formação Profissional (IEFP)

1. The institutional framework

It seems best to first outline the overall framework within which we work by describing the Portuguese Public Employment Service, the Institute for Employment and Vocational Training (*Instituto do Emprego e Formação Profissional*, IEFP). The IEFP is a public body with legal personality and administrative and financial autonomy. It operates under legal supervision of the Ministry of Labour and Solidarity and is basically responsible for implementing the employment and vocational training policies defined and approved by the government.

The IEFP is responsible for:

- Promoting as broad a knowledge of employment-related problems as possible and diffusing it, in order to contribute to the definition and adoption of an overall employment policy and a national programme to progressively improve the employment situation, by using productive resources in a way that is integrated with growth and socio-economic development as a whole.

- Promoting the organisation of the employment market as an essential element in activity programmes, with the aim of achieving full employment (in which jobs are freely chosen in accordance with people's preferences and qualifications) as a factor in upgrading the cultural and technical/professional status of Portugal's human resources.

- Promoting the information and guidance, training and vocational rehabilitation and placement of workers (especially young people leaving the teaching system and other disadvantaged social groups), the analysis of jobs and the geographical and professional mobility of the labour force.

- Promoting improved productivity on the part of all businesses by conducting, either on its own or in collaboration with other Portuguese or foreign entities, appropriate vocational training activities.

- Technical and financial support for initiatives that lead to the creation of new jobs or the retaining of current ones in existing or future productive units.

- Taking part in the co-ordination of technical co-operation activities with other Portuguese and international organisations and foreign countries, in the employment, vocational training and rehabilitation fields.

- In general terms, collaborating in the design, definition and assessment of the overall Portuguese employment policy of which it is the executive body.

The central governing bodies of IEFP are its Board of Directors and Supervisory Committee, in which the Executive Committee and representatives of the social partners participate.

In order to fulfil its functions, the IEFP has:

- *Central services*, which are responsible for designing and standardising procedures and disseminating skills at national level.

- *Regional offices* (North, Centre, Lisbon and the Tagus Valley, the Alentejo and the Algarve), which are responsible for co-ordinating, promoting and integrating the operational activities of the local services.

- A network of *local public services*, which operate under the authority of the regional offices and are made up of:

  – *Job Centres*, which are responsible for: matching the offer and demand for jobs and vocational training; collecting and disseminating information about the current situation of and prospects for local labour markets and carrying out such analyses as may be necessary; encouraging local authorities and other public bodies, as well as employers' associations, trades unions and other institutions involved in local development, to include issues related to employment, training and the social reintegration of the more disadvantaged social groups into their activities and strategies; collaborating in the identification of local needs for training and vocational integration actions, proposing their implementation and guaranteeing the necessary monitoring and support; providing vocational information and guidance services, particularly to the priority target groups; stimulating and collaborating in the implementation of vocational training and job creation programmes; encouraging innovative initiatives that result in the integration of specific groups of jobseekers; ensuring a integrated and personalised handling of users, both individuals and employers, providing them with technical and administrative assistance suited to their special needs.

  – *Vocational Training Centres*, which are responsible for programming, preparing, implementing, supporting and evaluating initial and continuing vocational training actions, and for ensuring implementation of the defined vocational certification system at local level, thereby helping to upgrade human resources and stimulate the development of the regions to which they belong.

  – *Business Creation Support Centres*, which have been set up in the most disadvantaged regions and in those that have been most severely affected by unemployment. They provide technical conditions and infrastructures favouring the development of "business incubators", which are designed to promote the creation and consolidation and independence of new businesses (and consequently the creation of new jobs). These local services are also responsible for: promoting information

initiatives and meetings between entrepreneurs; carrying out market studies, studies on business opportunities and diagnoses of training needs, all in co-ordination with the rest of the IEFP's local services (particularly Job Centres and Vocational Training Centres), as well as with other bodies that are involved in local development; promoting training initiatives in the area of drawing up of business plans, as well as in the areas of organisation, management and improvement of businesses' human resources; technical support and information concerning access to public subsidies available to businesses.

– *Vocational Rehabilitation Centres*, which are responsible for promoting vocational assessment/guidance, training and socio-professional rehabilitation activities for disabled persons, through a set of programmes, measures and strategies in conformity with IEFP's general guidelines.

This network is complemented by the *Jointly Managed Vocational Training Centres* and *Vocational Rehabilitation Centres,* which are created under the terms of agreements between the IEFP and some of the social partners (employers' associations, trade union associations and professional associations) and other non-profit institutions that contribute to local development and the provision of locally-based social services. These centres are public bodies with administrative and financial autonomy, whose management and supervisory bodies are chaired by IEFP representatives.

The Job Centres play a key role at local level, inasmuch as they are the longest-standing decentralised employment services and the ones that are closest to their users. We currently have 86 Job Centres spread across the whole of Portugal, each of which works to adapt to its specific local needs and characteristics. We now present the environment and operations of a particular Job Centre, the Loulé Job Centre.

2. The characteristics of the geographic intervention area

The Loulé Job Centre is located in the southern region of Portugal (the Algarve) and serves two local authority areas (Albufeira and Loulé), which together cover a total area of 906 km^2. The resident population, which is around 71 000 and includes around 30 000 in the working population, is concentrated along a narrow coastal strip in which the sea and tourist activities are the main attraction.

The increasingly "tertiary" nature of the local economy, which has largely resulted from the growing importance of tourism, is undoubtedly the determining factor in the dynamics of the local labour market. The retail trade and the restaurant and hotel businesses alone employ around 60% of the working population. Financial and real estate activities (11%) follow and, finally, the construction (8%) and manufacturing (6%) industries. While on the one hand this tertiary trend benefits the region, on the other it causes a high degree of instability in the local economy. It has made it very vulnerable to swings in demand that depend on outside agents and decision-making centres, as well as seasons of the year. This seasonality is reflected in the fluctuations in unemployment over the course of the year (Figure 1): at the end of December 1999, 1 877 unemployed persons were registered with the Job Centre, while at the end of April 2000 their numbers had fallen to just 635. November, December and January are usually months with a high rate of registered unemployment, whereas in the summer period it is difficult to fill the large number of vacancies notified to the Job Centre. In April 2000, only 278 jobseekers were registered with the Job Centre, yet 441 vacancies were notified.

Of the unemployed persons registered at the end of April with the Job Centre, only 12.3% were long-term unemployed (registered for more than a year). The breakdown of the registered unemployed persons by age group at this time (Figure 2) illustrates the relative youth of the

unemployed, compared to the national average. In the area served by the Job Centre, unemployed persons aged less than 35 make up more than 45% of the total register, whereas the national average is below 40%. However, this structure merely reflects the youth of the resident population in these two local authority areas.

Also, just as throughout the whole country, unemployment is particularly prevalent among women, who constitute more than 60% of the registered unemployed.

Figure 1. **The seasonality of unemployment in 1999**

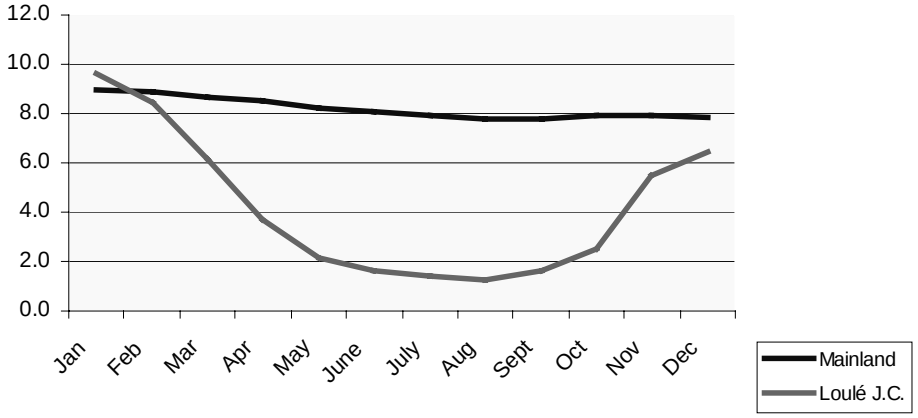


Figure 2. **Registered unemployment by age group in April 2000**

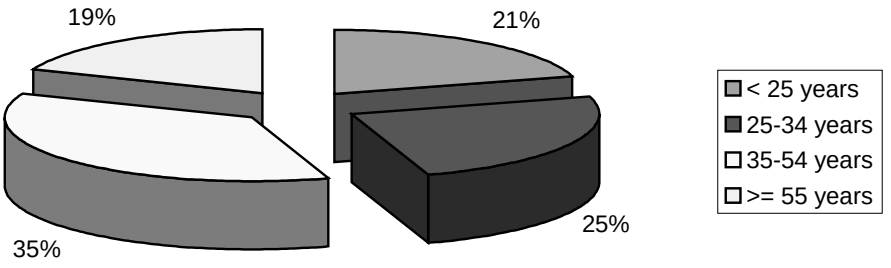


Figure 3. **Organisational structure of Loulé Job Centre**

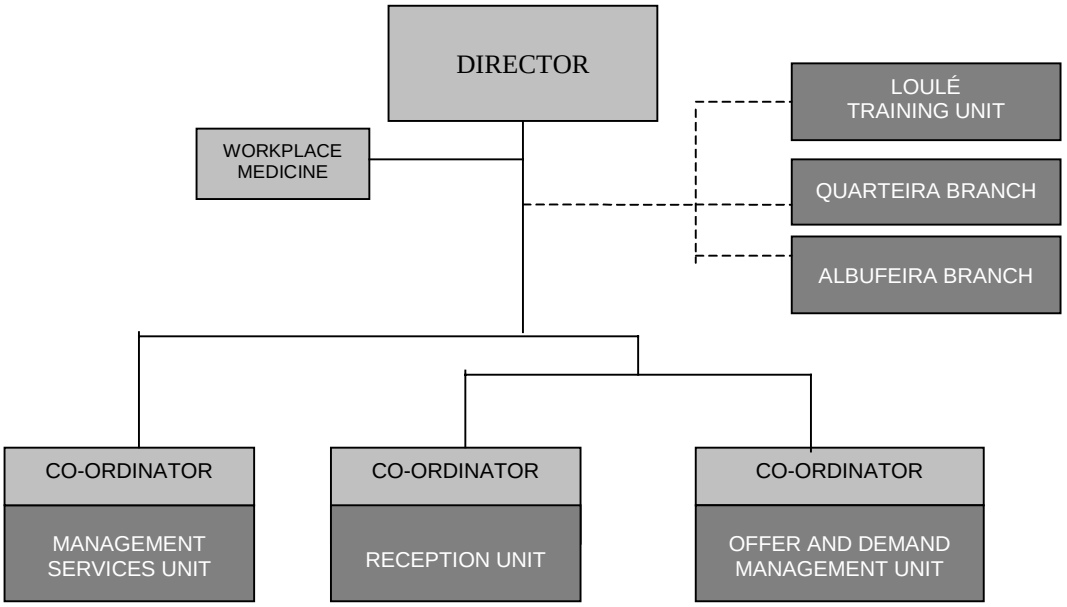
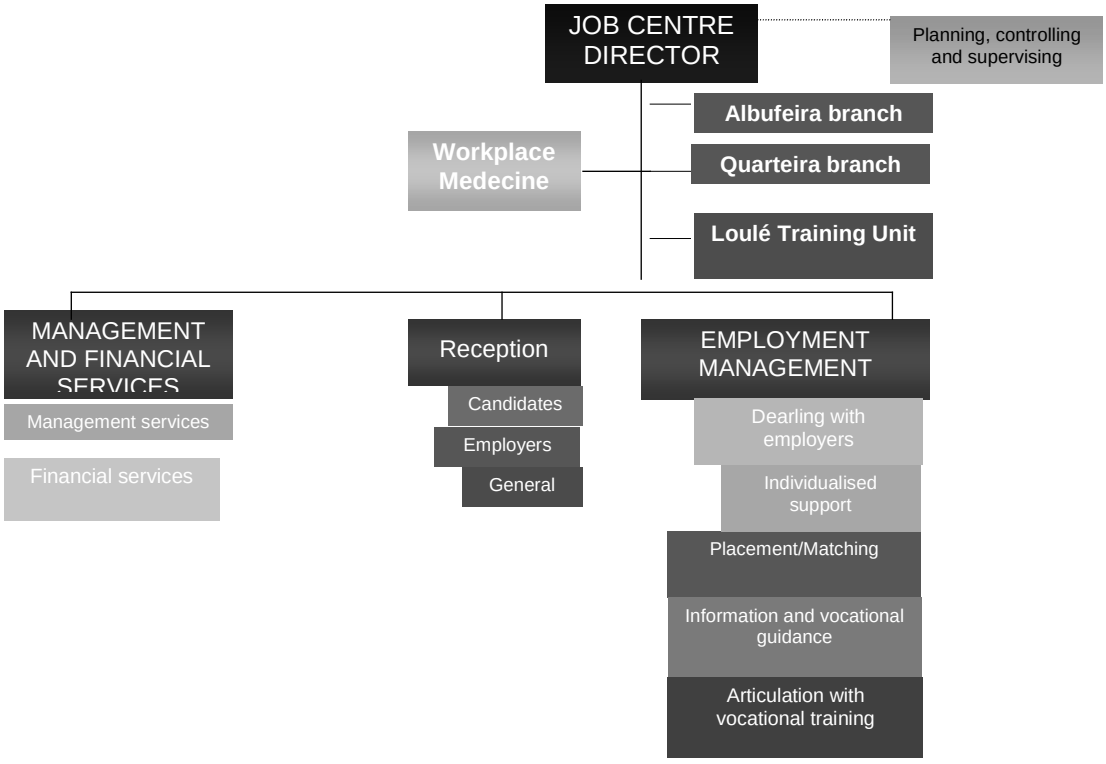


Figure 4. **Operational structure of Loulé Job Centre**



3. The Job Centre's organisational and operational structure

The Loulé Job Centre's organisational structure includes:

- The director
- The management services unit
- The reception unit
- The offer and demand management unit (matching)
- Workplace medicine

Figures 3 and 4 present the Loulé Job Centre's organisational and operational structures.

3.1 Support units of the Job Centre

3.1.1 Employment sub-branches

"Employment sub-branches" are remote reception centres, in locations remote from the Job Centre that have a sizeable labour force, open to the public at limited times during the week, with the aim of bringing the Job Centre closer to its users. There are two sub-branches, one in Albufeira (a city around 30 km from Loulé) and another in Quarteira (a city around 15 km from Loulé).

3.1.2 The Loulé training unit

The Loulé training unit is a body managed by the Job Centre, which offers vocational training, particularly within a framework of employment/training programmes, job and enterprise creation and sandwich courses (apprenticeships).

Both the sub-branches and the training unit are equipped with computers that are linked to the Loulé Job Centre in a local network, and *via* the Job Centre to IEFP's national computer network. They also have their own telephone, fax and photocopier.

4. Human resources

The Centre is manned by a total of 22 people including the director, all of who are part of its normal allocation of staff. The technical team is basically made up of two types of officers: specialists and administrative officers. The team includes:

- 1 director
- 2 senior officers
- 2 vocational information and guidance counsellors
- 9 employment officers (2 of whom are unit co-ordinators)
- 6 administrative officers (1 of whom is a unit co-ordinator)
- 1 receptionist
- 1 driver

IEFP's central services and regional offices (in this case, the regional office of Algarve), in co-ordination with the local office, are responsible for the recruitment of Job Centre staff.

Before they take up their duties, new members of staff undergo theoretical and practical training which lasts for an average of between six and twelve months. Every year short-term training, as suggested by either the local, regional or central services, is also provided. This is delivered to several categories of staff, particularly the specialists, and is designed to update their knowledge and training in connection with the launching of new measures or programmes.

5. Operation

5.1 Methodological principles

The Job Centre's actions are currently based on a model with the following characteristics:

- We centre our work on the needs and potential of the young people and adults registered with us and on determining solutions which lead to or facilitate their integration or reintegration into working life.

- Our intervention methods are preventive, so as to avoid and minimise situations involving long-term unemployment.

- We are familiar with qualitative and quantitative trends in labour market and the file of registered applicants.

- Our interventions are both individualised and integrated in nature.

This integrated intervention methodology is aimed young people and adult unemployed, as well as the Job Centre's other target groups. It implies the construction and development of Individual Employment Plans (IEPs), which the individuals concerned and the Job Centre's departments undertake to put into practise, and which are formalised by the signature of a follow-up agreement.

The implementation of this intervention model implies:

- The development of an organisational and operational model for the Centre that is based on interaction and mutual complementarity between the staff who are allocated to it.

- The existence of integration teams.

- Optimising active employment policies by: organising or stimulating notification and collection of job offers; supporting entry to self-employment; working together with training institutions to develop training solutions that are adapted to the needs of applicants and the labour market as a whole; developing guidance procedures that improve employability skills; and establishing partnerships with other institutions in such a way as to increase the number of solutions.

The Centre possesses various integration teams, each of which is composed of an employment officer and a vocational guidance counsellor. The integration teams are responsible for ensuring the implementation of the technical procedures involved in the supervision and integration methods used within the ambit of the National Plan for Employment.

Jobseekers who suffer from shortcomings in terms of their employability, such that they can not be placed directly in the labour market, can take part in Level I guidance: for example, collective information sessions or an individual interview in which their Individual Employment Plan (IEP) is drawn up. Jobseekers whose IEP requires a more in-depth guidance process are offered other types of intervention, which are implemented in accordance with each individual's personal situation and the objectives being sought. They may, in particular, be offered one or more of the following: assessment of personal and occupational skills, collective guidance sessions, or diagnosis by a psychologist (Level II guidance). If the candidate needs to strengthen his/her "inner capacities" to improve his/her employability, a Level III intervention is offered: promotion of self-esteem and development of personal and social skills.

The Job Centre follows a number of guidelines:

a) In its role as regulator of the functioning of the labour market, the Job Centre must at all times have a good knowledge of this market and update the available data, with the aim of matching demand to the supply of jobs and/or vocational training and minimising the imbalances between them.

b) Management by objectives, which implies both careful planning and, at some times, the introduction of the necessary modifications.

c) Constant interaction with our environment, which means direct contact with businesses, associations, public services (especially the Regional Social Security Centre), local authorities and other bodies.

d) Greater closeness to our users – which has led to the creation of the two sub-branches. These serve as extensions of the Job Centre and are designed to reduce the distance that users have to travel.

e) Availability (adaptation of our own action plans and the flow of information from and to regional and central services) to respond to the ever more demanding environment and constant "pressures", on both the offer and the demand sides, which the Centre handles by pursuing the PES's basic activity – placement – and complementary tools available to it. In this respect it is fair to say that *being available* to everyone all the time, while taking individual circumstances into account, is the most difficult of all our tasks.

f) Speed in the reception and handling users' requests, without prejudice to the implementation of the proper technical procedures, to ensure the effectiveness of our actions.

g) Resolving each individual case, handling it as well as possible within the framework of IEFP's global intervention and bearing in mind the need to respect decisions that can only be made by the parties concerned.

h) Keeping all members of the team constantly informed (continuing training).

i) Frequent monitoring of all the Centre's activities, via the use of several indicators (*tableau de bord* and follow-up using computer applications), meetings (extended, or restricted and thematic), and direct daily monitoring by the specialist teams.

Internal organisation is flexible and based on teamwork. It is adapted to the changes that may occur in the operation of the labour market in the Centre's intervention area (for example, in order to provide a better response to seasonal fluctuations).

The Centre's activities are conducted along three essential lines: internal work, institutional work which notably co-ordinates with all the other entities in our geographic area, and fieldwork.

5.2 Reception

Users of the Centre, persons and employers – both spontaneous and controlled flows – are received by an employment officer (EO) at the "reception desk". So it is at the reception desk that that users have their first contact with the Job Centre.

a) At the reception desk an employment officer conducts an initial selection, and passes on people who are seeking jobs, vocational training or other types of intervention, but he/she also gets their personal details and enters them into the computer system. It is also the Reception desk which provides information of a general nature and can resolve issues of a less complex nature – which may not be any the less demanding from a technical point of view, however. Reception is responsible for passing users on to other units (placement, information and vocational guidance, employment/vocational training programmes, creation of self-employment, etc.), with which it must co-ordinate its work. Sometimes when there is a large number of users another EO has to help in the reception function.

b) The intervention of the EO and of the person at reception is essential to the good operation and effectiveness of many of the services provided in the Centre's other operational areas. This is why the reception desk is staffed by highly qualified and experienced personnel. However, the intervention at this level is a brief one, following which users are asked to wait for a personal interview with another EO.

c) The organisations (employers representatives and others) that use the Centre are also welcomed at the reception desk (in these cases the intervention of the reception staff is very brief), but are immediately passed on to "employers reception", a separate room (but next door) where they are received by an EO or co-ordinator who, where appropriate, is able to immediately offer information on the profiles of registered jobseekers who might suit the vacant position in question, or provide other information, such as the details of hiring incentives. The differentiated treatment that is offered to employers in a specific space of their own makes the recruitment process easier for employers, who often decide to interview the applicants submitted to them in the Centre itself, following an intervention by the EO. This simplifies the procedures involved in introducing employers to prospective staff and makes monitoring of the outcome easier.

d) Users who are registered with the Centre as job/training applicants are issued with a *post-paid response card*, which they can use at any time to inform the Job Centre if they change their address, get a job on their own or cancel their registration, without incurring expense or inconvenience. Although it is not the only method we use to update and control our demand file, this procedure is used by the vast majority of registered applicants and enables us to rapidly update their files.

e) All our users are also issued with a card bearing their registration number and the date on which they visited the Centre. It is designed to make it easier to consult the computer system (database) on future occasions.

f) Unemployed workers who come to reception desk to find out how to apply for unemployment benefits are informed that they have to register and be available to accept employment and vocational training. Then, if there are suitable vacancies, placement is carried out as described in Section 5.3.3 below. In any case, at the end of the registration interview the EO gives applicants who wish to claim unemployment benefits a *declaration of registration* (issued by the computer system) *which confirms that they are available and able to work* and tells them how and where (the Regional Social Security Centre or its local offices) to initiate the process and submit the claim.

g) Reception is normally responsible for checking the regular attendance of the registered workers who are receiving unemployment benefits. This check is not a mere administrative formality. Inasmuch as it is carried out by an EO, its aim is always the ending of the unemployment situation of the benefit recipient. Moreover, the direct contact with the EO – albeit necessarily brief in these circumstances – is very important for this purpose. For example, during the check the EO often consults the vacancy list or proceeds to another active employment measure – something which is not always easy to do when the applicant is not physically present.

h) The EO on the reception desk, with the assistance of his/her co-ordinator, is responsible for updating the information available in the self-service section – such as, for example, the vacancies posted in semi-open form which allow users to carry out a prior selection, thereby facilitating the Centre's work but also a greater involvement and commitment on the part of the unemployed person.

All EOs are allocated in turn to the reception desk (rotation system).

5.3 Managing job offers and jobseekers

5.3.1 Jobseekers

a) Flow handling

As already mentioned, after selection, guidance and entry of the user's personal details, jobseekers are invited to an interview with an EO in a separate room, and the requests for work recorded then go to make up the jobseeker file.

This is where the EO records information about the applicant's qualifications, interests, CV, etc., and directly enters them into the computer via his/her terminal (registration of jobseekers). On the same computer system he/she checks possible placements in a suitable job notified by potential employers. For this, he/she confirms, by telephoning the employer, whether the job is still available. If it is, he proceeds to the referral procedure, through a letter card given to the candidates at the end of the interview. This referral procedure (flow matching) is carried out without prejudice to the work of the EO who is actually responsible for the matching function (see Section 5.3.3).

The EO may, in addition, propose other alternatives, such as participation in a specific employment or training programme or vocational training. If the latter is chosen, the EO directs the person to the Vocational Guidance Counsellor (VGC), in line with the principles of teamwork

intervention already presented. The integration team then engages in a specific intervention, collaborating closely with the closest Vocational Training Centre (VTC) or other approved organisation, in order to redirect the applicant to the desired vocational training initiative. All EOs, including the unit co-ordinators, take turns at flow handling, on the basis of a weekly rotation regime.

b) File management

The EO in charge of matching only exceptionally receives or interviews the daily flow of users. However, he/she does receive and interview employers who come to the Job Centre to inform us of their recruitment needs. The EOs allocated to matching usually stay there for three or four months at a time, to allow them to not only acquire a good knowledge of the flow of job offers and their follow-up, but also to facilitate establishing, without a loss of continuity, good relationships with employers. Whenever possible, two or more EOs are simultaneously responsible for this function, so as to allows staff rotation without any loss of familiarity with the recruitment dossiers, since both EOs are not replaced at the same time. In this way the EOs always have a good knowledge of both the jobseeker and vacancy files – something which enables the Job Centre to determine interventions which are best suited to each specific group and each individual person.

All officers in the Centre must have access to up-to-date job offer and jobseeker files, not only in order to ensure an efficient matching of demand and supply, but also because it is indispensable to the successful implementation of other measures and programmes provided for in the annual activity plan.

For the Job Centre to successfully carry out its basic function of job broking, the information available in its computer system must be totally reliable and up-to-date.

For its jobseeker register, the Centre takes special care to update and check the validity of the applications for work in the database. One of the most effective methods for checking the validity of these applications for work, used by the Job Centre, is to summon applicants for available job offers. Those who do not show up, or who have found a job themselves or given up their application, are eliminated from the active file.

However, with a periodicity that is established at either central or local level, the computer system that manages job offer and demand (SIGAE) regularly and automatically sends out a *postal control* to all applicants on the active file, selected using chosen parameters. This control system informs those who are registered that the Centre is working to get them the job they want. Jobseekers must return the prepaid postcard, sent with the *postal control*, and confirm whether they are still interested in getting a job offer. The computer system produces lists of the names of the registered persons who have been checked on a given date. Comparing the answers received by mail with these lists, the EOs put the results into the database, thus contributing to updating of the jobseeker file.

5.3.2 Job offers

In its role as regulator of the functioning of the labour market, the Job Centre establishes and maintains contacts with the greatest possible number of employers in the geographic area under its responsibility. The officers maintain regular contact with employers, either through visits to them, or by organising meetings with them at the Job Centre. These contacts give the officers a good knowledge of how the labour market functions and its needs.

These contacts also allow the Job Centre to disseminate much of the information about IEFP's measures and programmes to potential beneficiaries and, simultaneously, collect and record job offers and to get to know the vocational training needs. The volume of job offers that the Job Centre has recently been receiving fully justifies the existence of a separate room where, each day, one or more EOs work take in job offers and follow them up. These EOs manage the jobseeker and vacancy files, using codes to search the computer system for the applicants with the profile specified by the employer.

Inasmuch as they are easier and faster than other methods, the Centre receives the vast majority of job offers by telephone or fax.

Before recording a job offer on his/her computer terminal, the EO always collects information about the job, in particular, the qualifications required and the terms offered. At this stage, the EO talks with the employer, usually by telephone or in person, and provides him/her with set of information that he/she knows from experience (whether or not there are any applicants from the profession concerned registered at the moment, their levels of qualification, etc.), as well as the date when he/she would expect to present registered applicants. Frequently, thanks to the computer system which manages job offer and demand (SIGAE), the EO is able to immediately provide this information to the employer, which help in pre-selecting applicants and calling them to interview invitations – tasks which the EO carries out straight away, through the same computer system.

5.3.3 Job matching

Once he/she has received and recorded a job offer, the EO prepares the pre-selection codes on the computer system, and after checking and confirming the conditions that in his/her specialist opinion will make it possible to achieve a successful match, he/she immediately sends out calls to interview (at the Job Centre or one of the sub-branches). All these invitations are produced by the system's printers and sent on to the administrative area, which posts them.

Often, depending on the characteristics and operational requirements of the local labour market, the EO in charge of matching issues invitations by telephone, which allows him/her to present the candidates to the employer more rapidly.

As noted above, the Job Centre records all job offers on the computer system at the time when they are received and the details are established. Then the Job Centre does everything necessary to ensure that invitations to the applicants who will be referred to the employer concerned are issued the same day.

When a job offer cannot be filled with the applicants registered at the Job Centre, the computer system itself ensures its dissemination to other Job Centres, thus initiating the geographic job offer/jobseeker matching procedure.

The EO in charge of matching is responsible for checking both the calls to interview and the outcome of the hiring interviews. These procedures, which are normally carried out either by telephone or through the referral reply cards handed over by the applicant during the job interview, or even by visiting the employers concerned, form part of the job offer verification system. They also make it possible to check the validity of the job offer and, when relevant, renegotiate the terms being proposed by the employer.

Depending on the outcomes – which as we have just mentioned, are obtained when the referral reply cards are returned, by telephoning or by direct contact (visits to employers), the EO

records the data on the computer system (SIGAE) – thus updating the offer and demand files – and issues the documents for changing the situation of applicants who have been receiving unemployment benefits.

6. Employment/training measures and programmes

Because not all the job applicants who register with the Centre are able to enter the labour market, IEFP possesses a wide range of specific measures and programmes designed to improve their professional qualifications and increase the employability of different jobseekers. These measures and programmes – in particular enterprise training, training/employment programmes, hiring support programmes and self-employment programmes – are part of the set of tools which the Centre uses to help registered applicants solve their employment problems. The measures and programmes are implemented by the Centre's various specialist teams, which are normally composed of a unit co-ordinator or an employment officer, a senior specialist and a vocational guidance counsellor.

As in the rest of Europe, one of the mechanisms for fighting exclusion is the right to a guaranteed minimum income (*Rendimento Minimo Garantido*, RMG). As a social protection measure to which every citizen is entitled, the RMG was created with the aim of providing families and other persons who qualify with a level of income that is considered indispensable for their needs. However, it is seen not as an end by itself, but rather as a means to reintegrate its beneficiaries socially and into the labour market. This is done by establishing a different relationship with work, characterised by a dimension of social integration, discussed with both applicants and a whole set of local public and private institutional partners.

In applying the RMG, specialist teams made up of EOs and a vocational guidance counsellor engage in and develop a teamwork relationship with a variety of local partners. The aim is to organise and achieve the integration or reintegration into working life of all RMG beneficiaries whose integration plans, which are plans for integrated interventions in various factors causing social exclusion discussed in advance with the persons concerned, may involve the vocational training and employment fields (in this case leading to an Individual Employment Plan). This type of work and the interactions that arise out of it result in a better knowledge of the environment, which makes the Job Centre's interventions more effective.

Various IEFP programmes involve organising and implementing vocational training activities. The Job Centre develops and manages some of them. Among the most important are the Apprenticeship Programme, which is for young people between the ages of 16 and 21, the Training/Employment Programme and others, for example management training for potential creators of their own business. As for other measures and programmes, the specialist teams based on an employment officer, a counsellor and sometimes a senior specialist in management, are responsible for carrying out the vocational training initiatives, with help and supervision from staff in IEFP's regional offices.

7. Managing, controlling and supervising the Job Centre's activities

Within the scope of the responsibilities that are allocated to it, the Job Centre carries out its work in compliance with the terms of its annual Activity Plan and Budget.

The Centre's director is responsible for drawing up a proposal for the Activity Plan. This is a task that requires care and a good knowledge of the Centre's environment, the area's needs in terms of vocational training and employment and the operation of the local/regional labour market. This

implies carrying out as objective a diagnosis of the local situation and structure of employment as possible, so as to apply the guidelines set out in the National Plan for Employment on a local scale.

To this end, through visits and other contacts with employers and other organisations in the geographic area covered by the Job Centre by the technical teams, various indicators are collected which are then taken into consideration in planning the activities of the Centre. The director's participation in meetings and other contacts with employers and workers' associations and local authorities allows him/her to collect some quite sophisticated indicators useful for determining a good proportion of the vocational training to be put into place, either directly by the Job Centre itself or as proposals to the Vocational Training Centres.

The preparation of the plan and budget is started half way through each calendar year. This process includes a series of meetings which involve a greater or lesser number of participants, including the director, the divisional co-ordinators and other officers. The end products are the Activity Plan and Budget for the following year which the director then submits to the regional office for approval.

All the various Activity Plans and Budgets submitted to the regional office by the different units in the region go to make up the Regional Activity Plan and Budget. At national level, IEFP's Activity Plan and Budget is approved by its board of directors.

At local level the director checks the implementation of the Activity Plan and Budget on a weekly basis via meetings with the different officers and the heads of the specialist teams. Changes and adjustments to the Plan can be made, as required, provided they are properly justified to higher authority.

The management of the Centre has methods for assessing the teams and individual officers, as well as drawing up guidelines for achieving the proposed objectives. Staff training is also evaluated, with a view to continuing training.

COMPUTER TOUCHSCREEN AND INTERNET JOB-BROKING SERVICES

Eddy Vercammen, Deputy Administrator General (evercamm@vdab.be)
and **Edy Geerts,** Online development centre (edy.geerts@vdab.be)
VDAB (Flemish Office for Employment and Vocational Training)

1. Introduction

The Flemish Office for Employment and Vocational Training (*Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding*, VDAB) is the Flemish public employment service. The social partners (organisations of workers and employers) each have an equal representation on the VDAB management board (bipartite arrangement). A commissioner from the Flemish Government attends the meetings of the management board and has a veto right if the decisions are not in conformity with Government policies. VDAB has a management contract with the Flemish Government. Its funding comes in large part from the Flemish Government, and to a lesser degree from the European Union and from its own revenues.

Besides the normal services in the field of placement, guidance and vocational training, the VDAB has developed a series of specialised services for employers' use on a merit (*i.e.* fee-paying) basis:

- T-Interim (a branch of the VDAB) for temporary work.
- VDAB-Consult for a professional approach to personnel recruitment, selection and training adapted to the employers' needs.
- VDAB-Outplacement for career follow-up.

Its commercial services are self-sustaining and deal on the commercial and competitive market.

VDAB employs 3 900 persons in 160 centres serving the Flemish labour market of 180 000 jobseekers, over 140 000 employers and 2 000 000 workers (Table 1). Its staff is connected through electronic mail, high-technology office management programs, and VDAB's Intranet and Internet.

VDAB's primary task is to match labour supply with labour demand, undertaking co-ordinating actions for this purpose. Its main social mission is the (re)integration of the unemployed on the labour market. VDAB's mission statement is *"To have an important impact on the labour market and to contribute to the better functioning of the labour market in harmony with economy and society"*.

Table 1. **General data on the labour market in Flanders**

Object	Quantity
Total population (1998)	5 926 838
Enterprises (1998) < 50 employees	141 256
> 50 employees	5 971
Unemployed jobseekers with benefit (Jan 2000)	140 489
Non-working jobseekers (Jan. 2000)	180 144
Employed (1998)	1 885 184
Independent & assistants (1998)	402 444
Vacancies dealt with by VDAB in 1999	165 714

VDAB is a dynamic organisation that evolves constantly. In recent years the VDAB has changed from a product oriented towards a *client oriented* organisation that focuses more on the customer instead of the product ("the client is in the drivers seat"). A client survey of 1993 made clear that many jobseekers were asking to be able to find information on vacancies themselves, so as to be not only dependent on the information the counsellor wished to give them. Until that moment the counsellor was the only person who had access to information on the vacancies and information on the jobseekers. The clients were fully dependent on the counsellors. It was clear this had to change and different relations between the VDAB-staff and the clients had to be made possible.

Providing on-line services, with tools the clients can use themselves, is complementary with the individual approach and guidance of jobseekers, who require more help in order to be activated and (re)integrated in the labour market. By means of its new on-line services, the VDAB has created a virtual labour market, where employers and jobseekers meet in an efficient, swift and economical manner. The VDAB thus maximises the service to its clients' needs, while reaching an *optimal transparency* on the labour market.

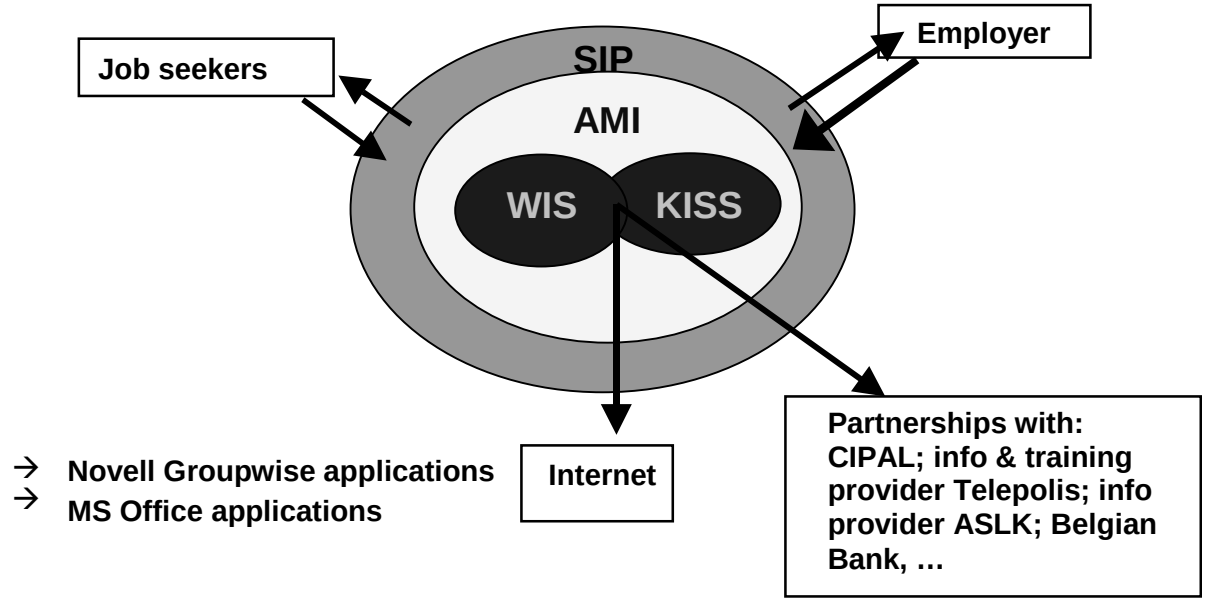
In 1997, the ILO Convention (No. 181) Concerning Private Employment Agencies put an end to the (theoretical) monopoly of the public services with regard to job matching. The evolution, in which more and more actors manifest themselves on the labour market, has been going on since a long time. The growing demand for more flexibility on the labour market had already given rise to the expansion of the temporary work sector. The Convention favours a mixed model, where co-operation and partnerships between public services and private labour actors are possible. In the changing labour market, with more and more private employment agencies, an important and very demanding challenge for the public employment services, is to be and remain a very important high performing actor. Private (commercial) intermediates have to be recognised by the Flemish Government. Collaborative arrangements and *partnerships* between VDAB and private employment agencies have been set up, which further labour market transparency for the users of VDAB's on-line services. However, the Flemish Government has a clear policy attributing the role of director (régisseur) of the labour market to the VDAB. VDAB remains the most important actor to implement the labour market policy of the Flemish Government and to fulfil the social mission in relation to jobseekers and other clients.

VDAB both assimilates and diffuses enormous amounts of labour market information. Therefore the *information and communication technology* is a critical factor in the success of VDAB. Through our technology we wish to reinforce our (important) role on the labour market. The rapid development and launching of its on-line self-service systems is an example.

Over past years, a number of strategic options have been deployed with a view to strengthening VDAB's position and performance. Computerisation has been in operation in the

VDAB since 1983 when we started the migration of paper documents to our central database system SIMONA. Access to the information was limited to VDAB counsellors Since 1992, VDAB has worked to expand a vast electronic network (SIP; Strategic Information Plan). All relevant information about jobseekers, job vacancies and enterprises is stored in the central computer system for registrations of jobseekers and vacancies, "AMI" (Labour Market Information System). Recording those data is done according to the laws on protection of the privacy of the individual. The object of VDAB's first strategic information plan, or SIP-1, was to provide solidly based infrastructure, capable of supporting a very flexible superstructure. This last characteristic (and quality) is more apparent in the framework of the SIP-2. This has resulted in a very efficient system, capable of incorporating new forms of service, such as the WIS data bank (Work Information System with information on jobs, vocational training etc.), the KISS data bank (*Kandidaten Informatie en Selectie Systeem*, where jobseekers can enter their CVs and employers can consult them) and the training course guide (Figure 1).

Figure 1. **Information and communication technology, a critical success factor**



The SIP allowed an improvement in combining the social and economic mission of the VDAB:

- On the economic level, it is important that the job vacancies be rapidly and carefully filled with the most valid candidates (the right man in the right place).

- Socially, the VDAB tries in the best possible way to incorporate the jobseekers in the labour market and to watch for job vacancies for the jobseekers that are difficult to place.

The wishes and expectations of our customers (the unemployed jobseekers, employees and employers) change through time, VDAB adjusts its products to their needs.

VDAB has developed, in an integrated way ("and-and" approach), three principal channels of customer service to stimulate interaction with its customers – contact services, the Call Centre and on-line services:

- The *contact services*, where the customers have a direct personal contact with VDAB consultants.

- The *Call Centre*, a central phone number, where the customer can ask for all kinds of information and solutions.

- *On-line services* where our customers can register themselves, look for a job, apply for training courses, etc. where employers can select CVs on-line, enter vacancies on-line.

Any action taken through any one of the three contact-channels with the jobseekers or employers is registered in VDAB's general database AMI. This provides the possibility of a total follow-up of the progress for each individual case by any member of the VDAB staff. This will allow the client (jobseekers and employers) to get a uniform service provision whatever channels he chooses to use in approaching the VDAB.

Up to 1984, for the VDAB computerisation meant that the existing procedures were transferred to electronic systems. Employment offices staff entered and accessed the information and the VDAB counsellor played a key role in the encounter between the employer and the jobseekers, between the vacant job and the invitation to apply for it. Now direct contacts between the client groups, giving all information, are made possible with the new technologies.

2. On-line job applications and recruitment

In order to strengthen its position, VDAB started developing front-end systems allowing jobseekers and employers to access services without any direct staff intervention.

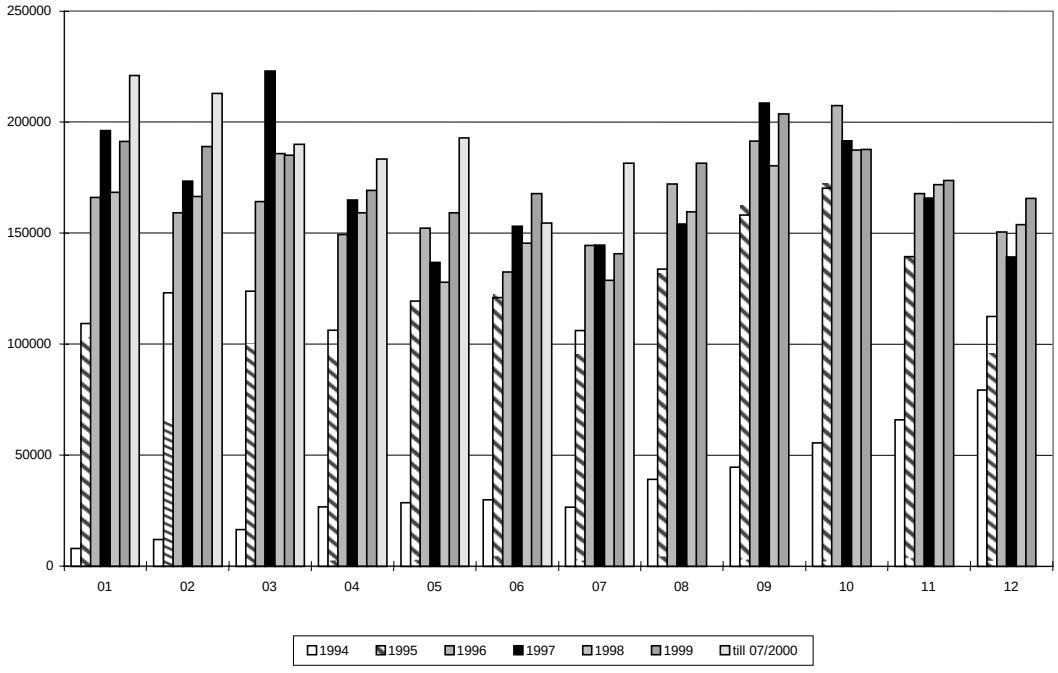
WIS

Since February 1994, the WIS (*Werk Informatie Systeem*, work information system) offers clients touchscreen access to information on vacancies and training courses. The kiosks allow a low-threshold approach providing simple access to the information through a comprehensive steering process by touch control (Figure 2). This service was the starting point for the revision of VDAB's procedures to accommodate the new possibilities anticipated in telematics.

The WIS job vacancy bank is available for consultation at no cost on a self-service basis. It is offered at 450 kiosks spread all over Flanders (VDAB offices and training centres, town halls, public libraries, railway stations, shopping malls) and on public (*Publilink*) and private (*Servitel*) partner networks. The kiosks serve more than 150 000 clients per month (Figure 3), offering them the choice of more than 28 000 vacancies (June 2000). The VDAB-vacancies database is by far the largest in Flanders. Practically every vacant position that is filed with the VDAB is publicised at no cost in the data bank. Vacancies can be selected by different parameters (*e.g.* occupation, education, training, geographical area, contract, etc.) and can be printed out, free of charge.

Figure 2. **A WIS touchscreen kiosk**

Figure 3. **Jobseekers consultations of the WIS electronic labour exchange, 1994-2000**



Over 90% of the vacancies in the WIS system are “open”, meaning that the name, address and telephone number of the employer are mentioned. This allows a direct contact between jobseekers and employer. More than 60% of the vacancies are now filled by candidates using WIS (including Internet), applying directly without the intervention of a VDAB counsellor. The number of printouts is electronically registered, thus permitting a thorough follow-up by the VDAB counsellor, who can undertake additional actions if the vacancy is not filled in a spontaneous way. The number of applicants per vacancy is variable, depending on the kind of the job; a VDAB-survey (end 1997) showed an average of seven applicants per job. In the past when referrals were only made by the counsellors, there was an average of three to four applicants for each vacancy. Jobseekers really use in a positive way the means that are given to them. Beside these ‘spontaneous’ applications, VDAB counsellors refer about 300 000 jobseekers yearly to employers. The number of applications for the 150 000 vacancies that VDAB treats and distributes on a yearly basis is estimated between 750 000 and 1 200 000. It is important to underline the ease of use for *any* jobseeker.

The quality contacts that employers have through this system improve the quality of the vacancies that they list on it. Additional person-to-person support for the jobseekers using WIS is available through the counsellors from the contact services as a basic service support (*e.g.* personal help with job applications).

KISS

The next on-line element, introduced in 1997, was the KISS data bank (*Kandidaten Informatie en Selectie Systeem*, candidate information and selection system) where jobseekers post their CVs (curriculum vitae) on the Internet for consultation by registered employers. Almost 90% of the jobseekers put their CV into the KISS-database in an “open” way, thus allowing direct contact from the employer. The employers have access to this data bank through a client code, which is acquired upon signature of a declaration of principles. Using clear keywords, the human resources manager selects applicants with speed and efficiency. The employer can save his entry, and receive in his mailbox new CVs with the required qualifications as they are registered. This application enables a direct contact between jobseekers and employers. More than 60 000 of Flanders’ 180 000 jobseekers have posted their CVs on it. This can be done either from their workstation at home (Internet), from the stand-alone kiosks or with intervention and help from a VDAB-counsellor (Figure 4).

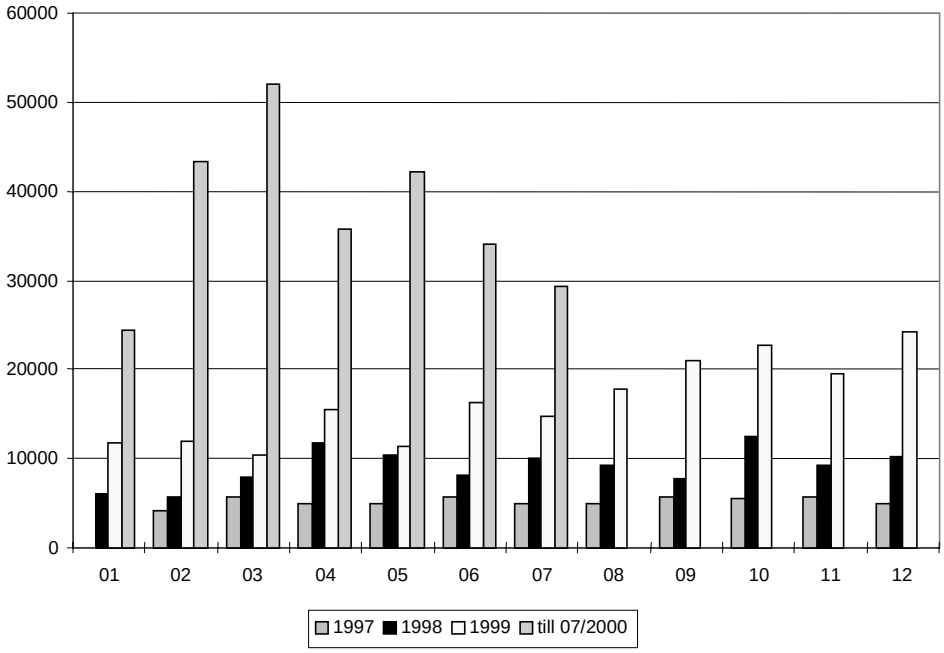
KISS also allows access to the other specialised services of the VDAB. The employer can request for the selected candidates to be screened, or hire them on a temporary or permanent basis and enter new vacancies through the *Jobmanager*.

WATIS

Since April 1999, these applications have a new motor: WATIS (Work and Training Information System) replaces the existing applications on the kiosks and the Internet. The WATIS project fits into the European Union’s Telematic Application Program, in the Information Engineering sector. This interactive information system is a self-service tool for workers, employers and public authorities, enabling them to request information freely and to supply data about work and training. A consortium of seven partners developed the WATIS system: Ministry of Labour (Finland), FAS (Ireland), IMAF (Madrid region), Novo-group (Finnish Software Company), Intercai Holding (Netherlands Telematic Consultants), Alcatel Bell (Belgian telecommunications Specialists) and the VDAB, who served as project co-ordinator. This project spanned the period from June 1996 to September 1998. In December 1997, VDAB decided to use the WATIS as the standard for existing and future applications. This sophisticated software is based on the latest web technology and creates a

"total on-line" environment for a more up to date information dissemination and inter-activity. The application is a *totally platform-independent interface between existing databases and the outside world*. It will permit our clients (employers as well as jobseekers) to control their data without intervention of the VDAB staff.

Figure 4. N**umber of KISS queries by employers, 1997-2000**



The Internet

From September 1995 VDAB entered the World Wide Web by offering the WIS on the Internet allowing jobseekers world-wide access to its extensive vacancy database, vocational training-programmes and general information concerning the VDAB services (Figure 5, Table 2). For employers the VDAB site offers the possibility to enter their vacancies directly from their workstation without intervention of the VDAB staff. Internet access is also the norm for employers using the KISS system. The jobseeker is also able to maintain his CV on the Internet, and receive a list of all new vacancies that may correspond to his profile in his mailbox through the so-called *Push Mail***.**

From the earliest moment, the Internet was clearly the indicated instrument for developing other commercial products. Thus, parallel to the kiosks, the idea was formed to offer to enterprises the possibility of publishing a recruitment announcement on the site. This *Jobspot* consists of a broad presentation of the enterprise, a wide-ranging description of the job vacancies listed with the VDAB and, if relevant, a link to the Enterprise Web Site.

Figure 5. **VDAB on the Internet**

Table 2. **URLs for some VDAB organisations and services**

URL	Organisation
http://www.vdab.be	Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding
http://watis.vdab.be/	Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding
http://watis.vdab.be/hraanbod/outplacement.shtml	Outplacement office of VDAB on a merit (fee-paying) basis
http://watis.vdab.be/hraanbod/werving.shtml	Recruitment & selection office of VDAB on a merit basis
http://watis.vdab.be/t-interim/	T-interim ; temporary employment office of VDAB (merit basis)
http://watis.vdab.be/hraanbod/opleidingen.shtml	Vocational training from VDAB
http://watis.vdab.be/trends/	Data management from VDAB

One innovation since May 1999, *Weblearning*, is the offer of training programs through the network or on the Internet, the trainee has access day or night to his course, given in several modules (Figure 6). This formula targets people who want to take an extra training (new applications or perfect the existing ones) at home or at work, through the use of the Internet. With a few simple operations he or she can contact a professional coach. During the whole apprenticeship, comprehensive monitoring is provided. The courses available at the end of 1999 for trainees on the network are all based on

Microsoft complemented by an extensive Internet training course. This offer will soon be expanded. There are many advantages to this system and the first trainees have been very enthusiastic about it. The time saved, and the free choice of the moment for studying constitutes the system's main assets. This approach cannot be compared with the conventional correspondence course package, where the students are left very much to their own devices. Tutoring ensures that the course is covered more rapidly and thoroughly. The VDAB carefully selects its web-learning tutors and trains them especially for distance learning. Whereas tutoring in the case of telelearning is asynchronous and the students receive an answer within 24 hours, in the case of web learning it is synchronous. The coach answers questions immediately. A robot or automated marker marks the tests, but the tutor comments on the marks. In this way, the student's progress is monitored closely, without the student having the feeling that someone is continuously looking over his shoulder.

Recently a new application *"Training manager"* became available for providers of training courses. It allows them to enter all information on their vocational training courses in the VDAB database and have this information disseminated on the VDAB-web site.

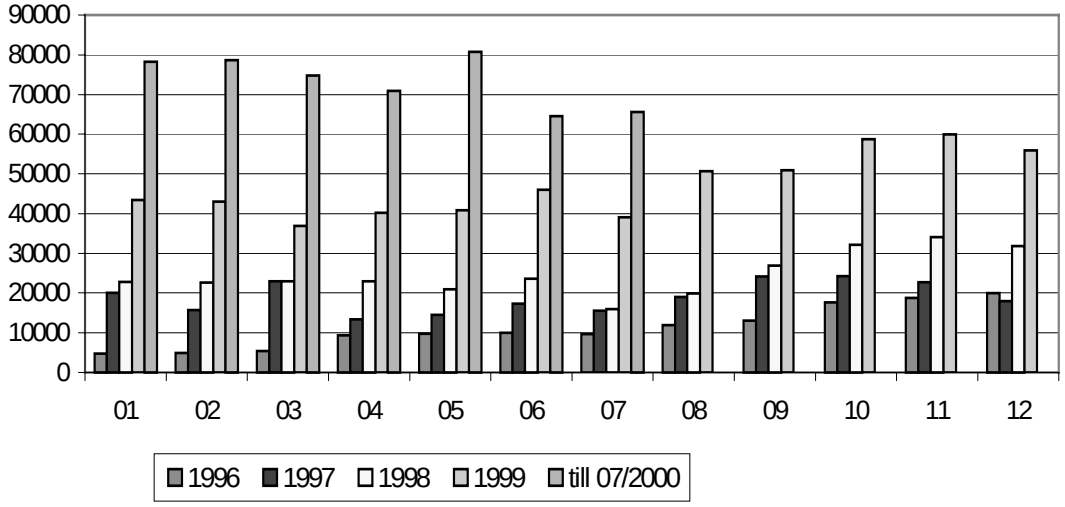
Figure 6. **Weblearning**

Internet growth: statistics galore

In June 2000 the site www.vdab.be registered 185 017 visitors, an average of some 6 200 visitors a day, which represents an increase of 140% in comparison with January 1999. This shows that contacts do not stem from mere curiosity but fulfil a working need for the users. Since 1993 the number of vacancies treated and distributed by the VDAB has doubled. This result is not only due to the economic evolution, but it is also a result of our efforts to make the information on vacancies more accessible. As already mentioned over 24 000 job vacancies are listed. Jobseeker consultations have doubled every year (Figure 7). Employers can cruise through a database containing

more than 60 000 CVs: employers' use of this service has increased by 84% since the previous year. By the end of 1999, 11 796 enterprises had requested a user' code for the KISS database, an increase of approximately 100% in comparison with the end of 1998.

Figure 7. **Number of jobseekers consulting WIS vacancies through the Internet, 1996-2000**



In November 1999, an on-line survey of Internet-users in Flanders was made. The main findings were:

- Of the Dutch-speaking respondents, 67% have visited the VDAB web site at least once: 21% visit www.vdab.be regularly and 27% have visited the site only one or two times. Only 6% never heard about the VDAB site. Female surfers are more regular www.vdab.be visitors than male surfers are. The most regular visitors are surfers between 18 and 34 years old.

- Very important is also the fact that 70% of the respondents would consider following on-line courses, if they where available. Only 11% are not interested. Especially 25 to 44 year olds are keen on following on-line courses.

- IT is the number one subject that surfers (71%) would follow an on-line course on. Courses on languages (48%) and common application software (39%) are also popular. High tech (22%) and administration (20%) also have a rather important interest.

- The respondents were also asked to order the different ways in which they prefer to receive information on jobs, career, and training. The possible options were: personalised information, interactive discussion groups, centralised information or segmented information. Personalised information is preferred by 69%.

Internet performance must obviously be considered in the general framework of intensified use of Internet as a medium for recruitment. Over 80% of the large enterprises in Brussels and in Flanders use Internet for hiring staff and 84% of those even have their own Web Site. Nevertheless, VDAB's success cannot be ascribed to the organic growth of Internet alone, since at most 15% of Web sites experience significant growth in their visitor frequency and many sites fail in their effort to attract users.

Soon VDAB's on-line presence will be strengthened. Our site already benefits from extra visibility under top Belgian sites such as *Belcast* and *Webbel*, which specifically promote VDAB's offer on their homepage. As one of the few sites that apply the new Internet market study techniques systematically, VDAB's expertise is worth monitoring in any case.

The Call Centre

On 1 February this year, VDAB opened its Call Centre as a new service line for its external clients. Set up as a joint venture between *Brucall* and VDAB, the former provides technology, infrastructure, professional guidance and the latter supplies personnel, management and content. The front office Call Centre is supported by a back office that handles the more complex requests in co-operation with partner info-lines so as to be able to provide a maximum of information or support for the caller. The service can be reached by phone each working day between 8:00 and 20:00. New developments based on speech technology and e-mail are foreseen in the near future. The aim of the Call Centre is to establish a service integration drive and to employ members of the VDAB staff in these centres. Those agents will perform as advisors who answer inquiries in an unbiased way and inform the callers about, *e.g.* the job offers and available services supplied, and render services such as the registration of jobseekers and vacancies. The Call Centre also performs out-bound actions, *e.g.* to jobseekers of specific target-groups.

Integration of all VDAB services

Call Centre contacts between the client and our services, added to the possibilities for traditional direct contacts and on-line contacts, complete the approach that VDAB has taken towards its clients. Any action taken through any one of the three contact-channels with the jobseekers and/or employers is registered in VDAB's general database AMI, thus providing the possibility of a total follow-up of the progress for each individual case by any member of the VDAB staff.

The most recent VDAB project is the development of the VDAB vertical portal site. The VDAB web site is made to be the reference site on the topics of jobs, training and careers by providing our target audience with a comprehensive overview of internal (VDAB) and external information (available on the Internet on different locations) and resources. The main added value of this site is the incorporation of external information provided by both private and public actors that are active in the various labour market fields. Through this VDAB-portal site the jobseekers can, *e.g.* also access the vacancies treated by other employment services.

3. Tracking individual use and outcomes

Besides the growth in total use of the systems (WIS had 1.5 million contacts in 1995, 2 million in 1997, etc.), usage is tracked in other ways. The systems record that, on average, a printout is made for every 2.2 vacancies that are consulted. Surveys show that, in turn, for each three printouts jobseekers make one actual job application.

Many placement services are still reluctant to list their vacancies in fully open form – showing the employer's name and address – because the placement service loses control of the referral process. It no longer gets direct reports on its referrals and placements, *i.e*. job applications and hiring that were assisted by its services. VDAB's experience, in presenting the vacancies in an open form on the kiosks and the internet, demonstrates clearly that this can be overcome through good contacts and a thorough follow-up with the employers. We have developed a method for tracking placements through server monitoring and personal contact. With this system:

- It is known which vacancies each jobseeker has printed out.
- At least once a week the employers are contacted to determine the status of their vacancy.

Combining this information allows us to identify the cases where a jobseeker printed out a vacancy from our WIS system, and was *later* reported as hired with that employer, and claim these as placements through WIS.

4. The importance of partnerships

VDAB's presence and success in commercial sectors such as temporary work, training, outplacement and selection prove the service's capacity to operate competitively within the free market, while remaining self-sustained and self-financing. This was a first step towards abolishing outdated preconceived ideas and clichés. Even now, public service maintains a reputation for cumbersome bureaucracy, inflexibility and a lack of client friendliness. On the other hand, the private sector is thought to be too profit-oriented, overlooking the social dimension. Using state-of-the-art data processing technology and setting up partnerships with both the private and public sectors should erase those obsolete notions. Private employment agencies, in particular private temporary work agencies, are very important users of the KISS system. We have an agreement with the federation of these private agencies, giving them, paying a fee for this service, access to the KISS-database and allowing them to distribute their vacancies on the WIS-system. This co-operation is a very important step in improving the transparency on the Flemish labour market.

Co-operating with outside organisations has always been a deliberate and strategic choice for VDAB. Co-operation with *Belgacom* (KISS), *Gemeentekrediet* (WIS), *VRT-teletext* (dissemination of WIS job vacancies on the Flemish radio- and television station), *sectors* (training and coaching*), private agencies* for temporary jobs (dissemination of temporary job vacancies via WIS, access to the KISS database), *libraries*, *counties* and the *European network EURES* are only a few examples of this policy. As the VDAB expands such networks, this policy awakens a growing response from an ever broader and varied public.

5. Financing and resource implications

The self-service systems now function as part of a balanced package of services to jobseekers and employers. Throughout their development, a critical theme for VDAB has been the resource costs and benefits.

To start up the system, VDAB had to be enterprising and put in major investments. However, as the system got under way, it has released large amounts of staff time. Now, more than 50% of VDAB placements are achieved through WIS and a further 10% through KISS without any direct staff intervention.

The more the computers take on routine operations, the more time the advisors have to provide in-depth assistance. As 40% of the jobseekers find a new job during the first three months of becoming unemployed, with the self-service systems provided by VDAB the follow-up of jobseekers has not been decreased.

6. Future prospects

Having reached the end of SIP-1, armed with the technology and the infrastructure for on-line services, the VDAB expects to develop (or strengthen) in SIP-2 the three channels of customer service, to wit, contact points (at present supplied mainly on the local agency level), the Call Centre (already operational), and on-line services.

One of the major items on the agenda is the integration of WERKWINKELS, local one-stop shops, for employment on a local level. The targets for such local employment points were set at the end of 1999 and will be materialised in several communes. The lessons learned from this approach will be the starting point for expansion throughout the Flemish territory. On-line services will be provided in these one-stop-shops

The development of an automated tracking system with the use of the SIS-card (social security card) will make it possible to monitor the application (through VDAB's databank), the discontinuation of the payments of unemployment benefit if applicable (through the National unemployment benefit organisation) and the employment of an individual (social security data bank). This makes it possible, *e.g.* to close the vacancy record with a known outcome. It will lead to an optimal electronic follow-up of the vacancies and the jobseekers.

Clearly, the Internet is of increasing importance to the VDAB's information strategy, not only for its external customers, in terms of access and content, but also with regard to its own organisation. At the present, some 2 000 PC's are incorporated in our internal client/server network, a pool that has been installed and updated already. Internet was used first to develop our relations and services with the outside world, which already benefits through our Web Site from access to our data bank. This data bank is virtually identical – and unequalled in Europe – to the one used by our internal staff (particularly with regard to the interactive consultation of tables, files, data and all sorts of statistics about the labour market, that have been gathered by the VDAB).

Based on the success of this step and the HTML developments undertaken by VDAB, the short and medium term objective is to reconsider the use of the client/server application (where data is stored on a central server), a solution which was valid, five years ago, for the market and for the VDAB. The latter's decision to open out as far as possible to the external world (for example, giving users in other countries access to VDAB vacancies through a European virtual website), and even to increase the number of its contact points aiming to be present in all the counties of Flanders (which often have their own local databases), requires further decisions about direct network access to data as the modern alternative to data exchange, and the technical standards for this. In that respect, VDAB is following technological developments, to retain the possibility of further improving its services; *e.g.* full integration of XML (extensible mark-up language) for the distribution and platform independent database connectivity will surely prove to be of substantial use for the future.

Both CVs and job vacancies need updating on a daily basis. We are moving towards a system with annotated CVs. Our advisors or trainers test the knowledge that applicants claim to have. Therefore, companies can be certain that the qualifications mentioned on the CVs have been checked. Through an "Online TEST-MANAGER", applicants will have access to on-line screening tools to test their competencies and skills thus certifying their qualities to the potential employer.

7. The role of self-service within the overall service package

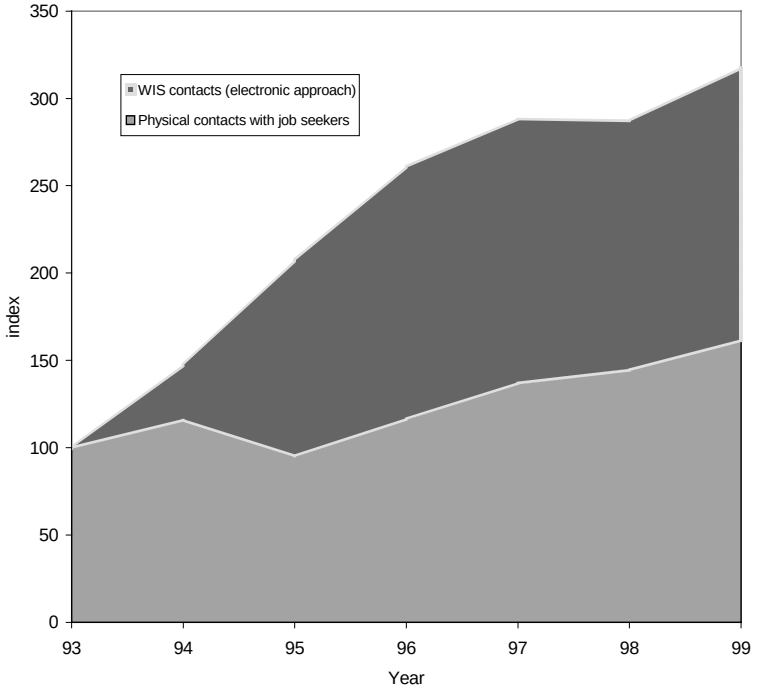
The success of our ICT-applications is not at the expense of our customers who don't use on-line services. It is true that the use of ICT expands *in width* the capacity of the system beyond the limits of the available staff resources, thereby efficiently handling a wide variety of customer labour market and employment information needs. But it also gives a reorientation *in depth.* The more the computers enhance the possibilities for our clients and empowers them, and the more the computers take on routine operations, the more time the advisors have to provide in-depth assistance. Due to this self-service strategy we can give all the necessary guidance, attention and support to clients who need it, such as people who are assessed as likely to experience difficulties for their integration on the labour market or the long-term unemployed. The "electronic" contacts do not replace the "physical" contacts with jobseekers, but are additional to and strengthen the "physical" face-to-face contacts (Figure 8). VDAB continues to provide more personalised placement assistance in a number of ways.

- We still refer jobseekers directly to vacancies. In less than 10% of the cases, the employer does not want his vacancy to be distributed in an open way: he wants us to select suitable candidates. In other cases, when a jobseeker hasn't successfully used the system, the VDAB counsellor performs a *personalised* search through the vacancies to try to find a *suitable solution for the jobseekers.* A significant proportion (30%) of placements is still achieved with some help from one of VDAB's employment counsellors.
- An increasing number of low-skilled jobseekers and of so-called target-group jobseekers have been offered a job in recent years thanks to the improving situation on the Flemish labour market but also thanks to making information on jobs, etc. more accessible and having more time for guidance of these jobseekers.
- VDAB runs job clubs, vocational training and guidance centres.
- VDAB has implemented "pathway counselling". This is a system of profiling new registrants who are likely to experience problems on the basis of factors such as area of qualification, lack of experience of job search, or poor presentation or motivation, and giving them additional early help through an early action plan, ongoing counselling, and, in many cases, participation in training. VDAB has a preventive and a curative approach in implementing this pathway counselling and active employment programmes. Special efforts are made for target groups and jobseekers with a higher risk for long-term unemployment. These actions are mainly based on the European guidelines for employment and the objectives decided by the government, by mutual agreement with the social partners.

The drive to switch towards self-service methods of placement has not driven out personalised assistance. That has never been the intention. Although most jobseekers are now expected to help themselves through self-service systems, people who are assessed as likely to experience difficulties or the long-term unemployed can be offered enhanced levels of staff attention, thanks to the staff time released by the information technology systems.

It is clear that the use of ICT, touch-screens systems, Internet etc. has not only made a complete business process re-engineering of the brokerage function of the VDAB possible, it also has changed and improved the relations with our clients and between the clients. It has also made it possible to establish an intense co-operation with other employment services on a solid base (public-private partnerships), so improving not only the brokerage on the labour market by the public employment service but also making the labour market more transparent in the interest of employers and jobseekers.

Figure 8. **In-person contacts and electronic contacts with jobseekers, 1993-99**



MARKETING TO EMPLOYERS IN THE NETHERLANDS

Jeannette van Yperen
Arbeidsvoorziening Nederland

1. Introduction

After an brief survey of developments in the Dutch labour market, the PES organisation and the PES client groups and services, this paper focuses on the relationship between the PES and employers. In order to cover all relevant issues related to the broad term "marketing" towards employers, a distinction is made between:

- Products and services for employers.
- Communication and marketing strategy.
- Support for marketing instruments and methods.

Finally, the main conclusions and the marketing strategy and topics for 2000-2001 are summarised. Since the Dutch PES is in the middle of a reform process, the paper includes some discussion of the changes under way.

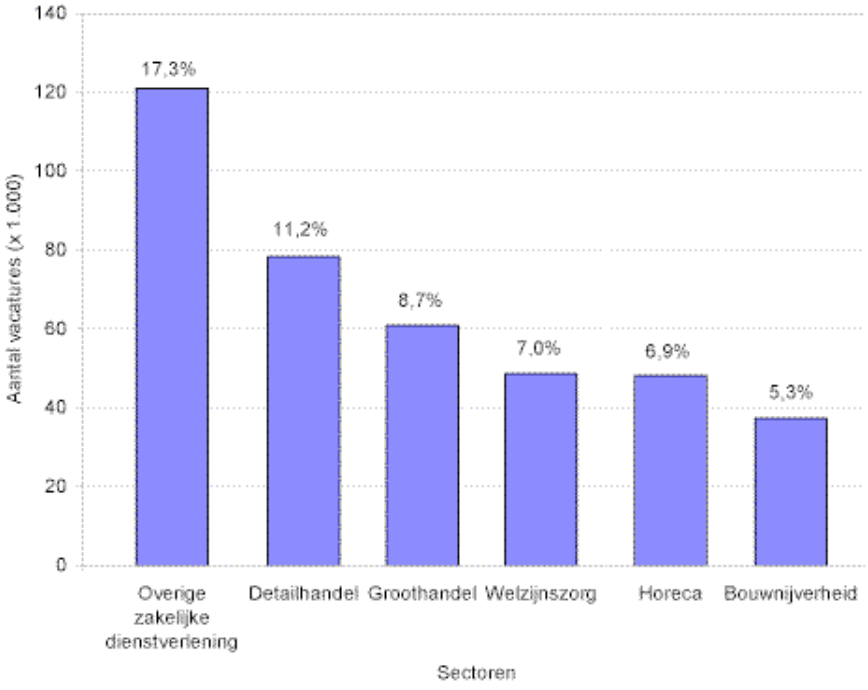
2. Developments on the Dutch labour market

Since the slowdown of 1993, the Dutch economy has been performing very well and this has been reflected in an improved situation on the Dutch labour market. With employment increasing by 2.3% per year since 1994, and by 3.5% in 1999, and an unemployment rate of about 3.1% in 1999, the Netherlands is also performing very well in international comparison. Internationally, the success has been referred to as the "Dutch model", where the main target is employment growth. Without going into detail, it is can be said that the "Dutch model" is based on a combination of the following five elements: moderation of wage costs, budget consolidation by the government, monetary stability, reform of the social security system and policies strengthening the functioning of markets. The last two elements in particular have a direct connection with the needs of and the services for individual employers. In the field of society security, employers have been given more responsibility for the continuation of payment during sickness of employees. In order to strengthen the functioning of markets, legislation has been changed to give employers more scope to use fixed-term labour contracts and temporary employment agencies (Law on flexibility and security of 1999). For a number of its services, the PES is allowed to charge fees, but unfair competition between PES and private agencies is forbidden (Employment Service Act of 1996).

In 1999 the total number of vacancies in the economy (which is measured by an employer survey) was about 900 000 (see Figure 1). The number of unfilled vacancies was higher than in

previous years. In June 1999 there were 182 000 open job offers in the private sector (an increase of 43 000 compared to the same period in 1998) and a further 15 000 open vacancies in the public sector. Economic growth and growth in the number of vacancies has made it more difficult for employers to find staff. The number of hard-to-fill vacancies has increased particularly in the building industry, trade, transport and business services sectors. The problem is due partly to the increased labour mobility of workers, which increases openings for experienced workers which may not match with the profile of the unemployed. Due to these developments, employers have to deal with the loss of the expertise of employees who leave, and increased costs of recruitment. On the other hand, these developments have increased the opportunities for unemployed, and emphasised the need for an active approach across the broad range of labour potential. PES services for employers are also related to these developments.

Figure 1. **Vacancies in six main sectors, number and as a percentage of all vacancies, 2000**



Vertical axis: number of vacancies (x 1.000)
Horizontal axis: sectors (f.l.t.r. business services, retail trade, wholesale, welfare service, catering industry, building industry)

Source: "*Regionale Arbeidsmarktprognose* 1000-2004", management summary, *Arbeidsvoorziening Nederland, Concerncommunicatie, Zoetermermeer*, May 1999.

Beside the current relatively low unemployment rate, for many decades the Netherlands has had a low labour force participation rate (labour force as a percentage of the corresponding population aged between 15 and 64 years), and:

- Part-time labour is more common and wide-spread in the Netherlands than in any other European country. About 17% of men and 68% of the women work in part-time jobs (compared with respectively 5% and 32% in the European Union). Most of the part-timers work in a part-time job on a voluntary basis.
- At least 16% of employees have a temporary contract and this percentage is increasing.
- Both employers and jobseekers/workers have an interest in part-time and flexible work.

In the Netherlands, four different definitions of unemployment are used,[1] reflecting the modern economy, in which for instance obligations for job search, benefits, part-time work and registration with the PES are all factors which help define unemployment for one purpose or another. But the trend is the same for all the definitions: there has been a sharp drop in the number of unemployed.

Certain groups on the labour market benefit more from the positive developments on the labour market than others. Although long term unemployed, women, ethnic minorities, partly-disabled and older jobseekers (40+) have benefited from the increased opportunities on the labour market, they still need additional attention. Therefore the PES is responsible for providing additional reintegration activities for these target groups. This strategy contributes to using the so-called "hidden potential" in the labour market. Employers are of course involved in the reintegration process. Those in temporary jobs, those threatened with dismissal or those pursuing their career, are further groups that find their way to the PES (75 000 in 1999).

3. The Dutch Public Employment Service

3.1 Organisation

The Dutch PES is a shared responsibility of government, municipalities and social partners, based on the Employment Service Act of 1990 and the revised Act of 1996. The mission of the PES is to contribute to an effective match between demand for and supply of labour, in particular by providing services to jobseekers who are difficult to place in paid employment, and by assisting employers who have hard-to-fill vacancies. Operational activities are carried out in local offices, supported by regional offices. The PES is also responsible for creating transparency on the labour market (*i.e.* facilitating access to information and worker-employer matches). Finally, the operation of a number of legal measures (dismissal procedures, work permits) is delegated to the PES.

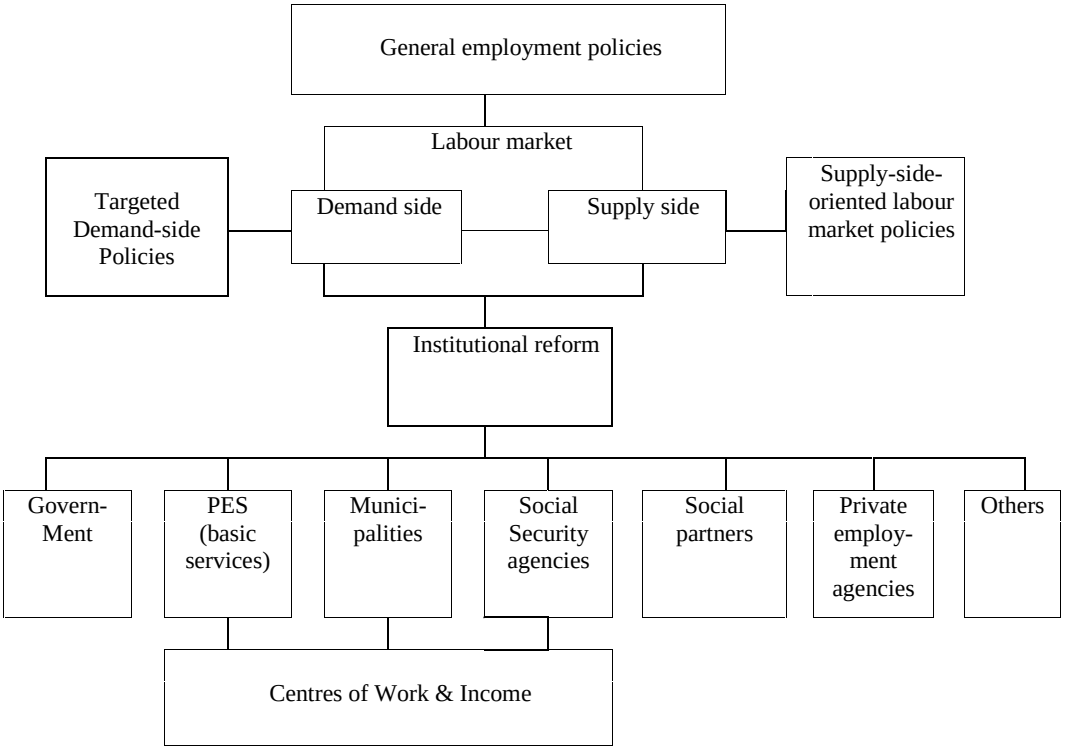
The PES organisation is structured around two mainstream services: public (basic) services which will be placed within integrated Centres for Work and Income (CWI), and paid reintegration services. The PES operates in a playing field where different parties each have their own areas of responsibility for labour market policy, and the Centres for Work and Income will combine the basic, public, free services of the PES with the activities of the municipalities and the social security agencies (see Figure 2). The PES section in the CWI provides services for matching demand and supply. In addition to services for jobseekers and the services for employers (described in Section 4.3 below), a national vacancy and job applicant database will be offered. Based on clear arrangements with the social security agencies (responsible for the payment of unemployment and other insurance benefits) and the municipalities (responsible for the payment of welfare allowances), the PES within the CWI will also be responsible for intake interviews with the unemployed, providing those bodies with an assessment of the new registrant's distance from the labour market. This information is used to determine the procedure the unemployed have to follow in order to apply for a benefit or allowance. The CWI operate as much as possible in shared office premises, in order to give access to a broad range of public and private services to the public. The CWI model is in the process of implementation, with a target of implementing the basic PES service components by the end of this year, and is part of the reform process mentioned in the introduction.

The second pillar of the PES, the reintegration unit, is in the process establishing itself as distinct organisational and financial structure within the PES in preparation for independent legal status. It will manage services for reintegration and mobility and offer, to employers and other parties,

services including training, employability services (career intervention, outplacement, mobility, training of workers) and personnel services (projects to solve bottlenecks and pool labour[2]). In the medium term, further privatisation of reintegration services of the PES is planned. The division between a basic service organisation and a broad range of reintegration services, is a step towards introducing greater competition in the latter area.

These changes in the organisation of the PES as described above (with PES services provided in the CWI, and privatised reintegration services) are part of the new structure for social security and reintegration in development in the Netherlands. Their consequences for the marketing plan for 2000-2001 are explained in Section 7.

Figure 2. **Actors in Dutch labour market policy**



Note: The connections as shown, influence the strategy and the development and delivery of services for employers as well as the marketing concept used for employers.

Source: "The Public Employment Service in the Netherlands", July 1998, prepared by KPMG Economic Research & Policy Consulting on request of *Arbeidsvoorziening Nederland* and the International Labour Office, Labour Administration Branch.

3.2 Historical context and overall strategy

Before the introduction of tripartite management in 1991, the PES was could be described as a administrative-oriented organisation. The main concern was the placement of jobseekers, guided by financial resources given by the government. The development from an administrative-oriented organisation to a tripartite service-oriented organisation had major consequences for the strategy and position of the PES. De-monopolisation of placement activities, and the introduction of elements of decentralisation of the organisation which allows for differences between the regional labour markets, also changed the role and position of the PES.

The current strategy is based on:

- Serving the needs of the labour market.
- Development of a strong position in the market for employment offices/agencies.
- Co-operation with sectors and industrial organisations.

The strategy has been translated into a balanced package of core activities which gives attention to the needs of both jobseekers (supply) and employers (demand). Furthermore, it has led to a broad orientation towards the needs of the players on the labour market, and active planning for developments on the labour market. The marketing strategy involves:

- Classification of jobseekers into four categories, based on education/training, work experience and motivation (this is called the "four-phase" model), from phase 1 (expected to find a job within a short notice to phase 4 (with a great distance to the labour market). This model assists the PES, their clients and contractors in defining services.

- Development and introduction of the "full-service" concept for employers, involving close co-operation with other agencies and institutes. (This is explained further in Section 6.)

4. Client groups, labour market environment and products for employers

4.1 Overview of clients and services

The PES delivers four mainstream services packages for different client-groups:

- Basic services for a broad public, mainly *employers and jobseekers*, meeting the legal service obligation in the Employment Service Act of 1996.

- Verification of jobseekers' eligibility for benefits and provision of reintegration services as a service for *insurance and welfare benefit offices* and *private social insurance companies* under the same Act.

- Services for sectors and industrial organisations.

- Inflow, transfer and outplacement services for employers.

4.2 The vacancy and recruitment market

Labour market information has identified the following issues of concern to employers:

- Hard-to-fill vacancies.
- Increased responsibility for employees who are ill.
- Need for and interest in part-time and flexible work(ers).
- Employability of employees.
- How to compare and combine personnel services available from a range of different providers.
- Increased labour mobility of workers.

As shown below, most new vacancies occur in the service, sales and wholesale sectors. Together they represent about 37% of the new vacancies foreseen for 2000. Small and medium enterprises are strongly represented in term of vacancies and registered vacancies with the PES. At the sectoral level there are significant regional differences in employment developments between the northern/eastern parts and the western/southern parts of the Netherlands. The number of flexible contracts has increased with a relatively high percentage of flex workers, placed by the commercial agencies, in the service, agriculture and industry, sectors. Some characteristics of vacancies and recruitment practices (based on the report *Hoe werven bedrijven 1998*, except for the figures marked *) are:

- 25% office jobs.
- 63% vocational education required.
- 59% work experience required.
- 82% permanent jobs.
- 76% of the contracts are for 20 or more hours a week.

and some characteristics of persons recruited are:

- 55% were already in a job.
- 58% of those recruited through the PES were unemployed.
- 76% have intermediate vocational education.
- 42% are younger than 25.
- 73% accepted a permanent job.
- 76% work for 20 hours or more per week.
- 53% are male*.
- 6% are from ethnic minorities*.
- 2% are partly disabled*.

Employers indicate that work experience and personality are the two most important factors during the recruitment procedure.

The wishes of employers do not always match reality. In 72% of cases, the employer found staff with the required education, for work experience the percentage is 77, and for the type of contract the percentage is 90. In the light of these employer requirements and recruitment profiles, and developments in the Dutch labour market and the problems expected in certain sectors, it is important that important that employers should be willing to review their recruitment requirements. As stated in Section 2, long term unemployed, ethnic minorities, partly-disabled and older jobseekers benefit relatively less from the increased opportunities on the labour market than any other jobseekers. A couple of measures have been developed in order to stimulate employers to recruit persons from the mentioned groups.

4.3 Services and products for employers

The main employer services and products are basic services, services to the employers' representatives at the sector/branch level, and paid services in the areas of "inflow, transfer and outflow". Employers are also involved in PES work in placing target groups of workers.

Basic services for individual employers

Basic, public services, free of charge and financed by central government, are delivered in about 220 local offices of the PES (in the foreseen CWI) all over the Netherlands. The offices are as close to the clients as possible, and are often housed in shared office premises in order to combine the public services with other services which might be of interest for the clients of the PES. The basic services for employers are:

- Information and advice (broad range of basic information needs).
- Vacancy handling (vacancy intake and publication).
- Vacancy matching (supported by technical system).
- Legal procedures (mainly requests for dismissal and work permits).

Table 1 shows figures for different categories of service. The market share of the PES (registered vacancies as a share of all vacancies in the economy) is about 24%. The market reach (the proportion of market within which the PES operates, with which it has contact) is about 44%. The target for the percentage of vacancies filled in 2000 is 55% (see Figure 3).

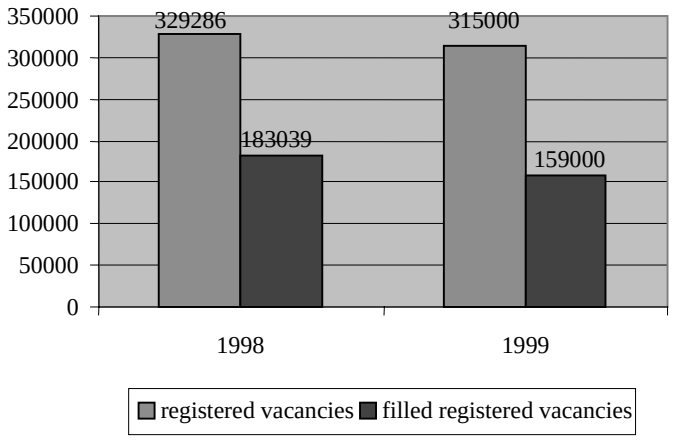
Table 1. **Basic services delivered to employers in 1999 and 2000**

	1999	2000
Information & advice	540 000	606 000
Vacancy handling	350 000	306 000
Matching (number of jobseekers informed about vacancy)	1 002 000	1 032 000
Number of vacancies filled	167 000	167 000
Dismissal procedures	45 000	50 000
Work permits	21 000	33 000

Note: The figures are estimates. Final figures of 1999 are not yet available and figures for 2000 will be influenced by the developments on the labour market.

Source: Internal information document "Landelijk Beleidsplan en Landelijke Begroting 2000".

Figure 3. **Vacancies registered and filled by the PES**



Source: *Arbeidsvoorziening Nederland*, department V& T (Gis/Pgi).

Important features of the vacancy intake, publication and matching service at local office level are:

- Employers are encouraged to register their vacancies by telephone, in writing or during a short visit, but if the employer wishes so a visit to the company is possible (about 5% of cases).

- One employment officer is nominated to be the contact person for the company during the whole process.

- If vacancy requirements look unrealistic and/or few applicants can be expected, the employment officer will discuss alternative job profiles to increase the possible response. (Vacancies due to strikes, with discriminating elements or terms not in accordance with legal requirements are not accepted).

- Employers are free to choose between a fully-open presentation of the vacancy (where full contact details are shown) or a semi-open presentation (where the jobseeker have to ask the employment office for contact details).

- Employers can request a selection of jobseekers based on objective criteria in the register (if screening on subjective criteria such as motivation is desired, CWIs will refer the employer to other providers). Either vacancy details are sent to jobseekers with a request to contact the employer, or the employer can receive details of the suitable and available jobseekers.

- Within 24 hours, a letter is sent to the employer showing the recorded registration information and the services agreed.

Sector services (agreements to provide services for a group of employers representing a sector or branch of industry)

The sectoral approach of the PES is based on the principle of meeting the wishes of social partners and the way sectors and branches of industry are organised. Many bottlenecks on the labour market manifest themselves at sector level and labour market provisions in collective labour agreements (these concern, for example, hiring of unemployed workers and minorities) can be implemented with the assistance of the PES. The concept, rather unusual in Europe, of dealing with sectors on a national, regional and local (company) level, contributes a great deal to knowledge of developments, needs and wishes in the different sectors, which translate into tailored services for individual employers. The PES began to make agreements with organisations representing sectors at national level in the early 1990s, and in many cases these were followed by regional agreements.

Services for sectors are based on sector or branch agreements and (regional) implementation plans, tailored to the specific needs of the given sector and region, which usually focus on solving specific bottlenecks in the sector. In 1999 there were national agreements with 21 sectors and branches. Although the overall agreements are made on a national level, individual companies benefit from the practical projects, which are initiated at regional and local levels as a result of the agreements. If and where needed, the cross-sector approach was used.[3]

For 1999 and 2000, the PES has initiated specific projects with the sector partners to intensify activities that tackle bottlenecks on the demand side of the labour market. About 180 projects started in 1999. The Ministry of Social Affairs and Employment, with limited co-financing from the sectors, finances the projects. In this respect a specific instrument called the "Sectormonitor" was developed by the PES in close co-operation with the social partners in the sectors. This is a database combining all relevant information about the sector. It supports the understanding of the sector and the translation from policy into operation. It allows opportunities and bottlenecks to be easily identified and translated into (joint) measures and activities of the sectors and PES.

Paid services for individual employers

The additional paid personnel and employability services for employers are:

- Intensive recruitment and selection.
- Outplacement.
- Staff training and guidance.
- Individual personnel advice.

These services are expected to be financially self-supporting and in conformity with the market. A "full package service" (including for instance pay-roll services or secondment) can be delivered in co-operation with commercial agencies.

Services related to specific groups on the labour market

Related to the shortages on the labour market and the employers' commitment to increasing the labour participation of target groups (which sometimes appears in collective labour agreements), the PES delivers reintegration services for partly-disabled workers, jobseekers aged 40 and over, and ethnic minorities and newcomers from outside the European Economic Area. Although individual employers are not the contractors for these reintegration services, job placement is the final goal. In shortage areas in particular, employers can benefit from the results of the reintegration programs.

In the context of integration of ethnic minorities on the labour market the PES has a control function related to the "Wet SAMEN" (Stimulation of Labour Participation Amongst Minorities Act), a frame-setting act which works for proportional participation of minorities in companies.

5. Communication and marketing strategy towards employers

5.1 The main angles

Communication and the marketing towards employers are based on the following angles:

- Service orientation (instead of administrative orientation).
- Problem solving (instead of problem owning).
- Market orientation (instead of focus on one of the parties on the market).

- Full-service (product-market-combinations), if necessary in co-operation with others (instead of separate in-house products).

- Distinction between basic, public products and services and additional, paid products and services (instead of combined offer).

- Balance between solving bottlenecks in sectors and creating opportunities for jobseekers, with a special attention for long term unemployed and specific groups (such as minorities, 40+).

- Self-service to full-service concept: made-to-measure.

- "Partners in business" approach.

- Interaction between the PES and employers on national, regional and local level.

- Interaction on individual company level, companies with 100+ employees, and sector-branch level.

5.2 The principles

In terms of marketing and communication towards employers this means that the strategy is based on the principles of:

- Sharing: sharing knowledge and news.
- Learning: information about different services and products for employers.
- Activating: increasing the use of PES public services and paid services by employers.

5.3 Supporting communication tools

Communication with employers is supported by:

- A corporate house style.

- Corporate campaigns: using commercials, these provide image improvement (emphasising that the PES is active, open, professional and has national coverage), a clear picture of available products and services, and sector-oriented messages.

- *Werkzaken* magazine for SMEs (nine issues per year, with a closed circulation of 132 000, and both national and regional sections): this provides information and news, image improvement, easier access to services and increased market share.

- PES Internet sites: 24-hour vacancy presentation.

- *Werkzaken* Internet site*:* available to all employers, this provides information and news, image improvement, easier access to services and increased market share, and interactive facilities (discussion and help desk).

- Sector information, based on the information instrument called the *Sectormonitor* (described above).

- A broad range of standard information leaflets.

6. Instruments and methods supporting services for employers

The Dutch PES has developed many different methods and instruments over the years to support and organise the delivery of services to employers. Besides the communication tools as mentioned above, the PES has a tradition of organising group meetings, presenting services at employment fairs, publishing and matching vacancies and visiting companies. Based on the main angles of marketing mentioned, three instruments and methods will be discussed in more depth: services to sectors/branches of industry, the full-service concept, and the market canvassing model.

6.1 Services to sectors/branches of industry

Service to sectors is a remarkable way to carry out the mission of the PES, as explained above. Increasing segmentation of the labour market implies that adequate employment services require a good knowledge of the particularities of different branches of industry. These particularities may differ from one branch of industry to the other, and from region to region. The strength of this particular service concept is the effective combination of national and regional agreements, approved by representatives of the sectors, including a mix of operational services for the employers covered in the particular sector. This has used financial resources in an effective way, and improved the image of the PES. The *Sectormonitor* tool (described above) has provided very useful support for the management and operation of services to sectors and their individual employers. Since 1998, some large sectors where labour shortages are expected -- transport, health care, trade, education, building and metallurgical industry -- have been selected as spearhead sectors for special attention. Specialists appointed within the PES conclude agreements, advise the industrial organisations (for instance about preventing shortages of labour force and hard-to-fill vacancies) and co-operate with social partners in the implementation of employment chapters within the collective labour agreements.

The main achievements of the sector-oriented service concept are:

- Increased efficiency of the workforce.
- Prevention of the increase in hard-to-fill vacancies.
- Co-ordinated training of jobseekers which really increases chances for paid employment.
- Joint sector image campaigns.
- Increase access to employment for target groups.

6.2 The full-service concept

The service orientation of the PES implies that it has to deal with a constantly changing environment. One of the significant developments on the Dutch labour market, as mentioned before, is that employers look for flexible workers. A related development is an increased tendency to hire new staff first on a temporary basis. The third development is the need of employers to have an easy access to all intermediation services available: both those of the PES (basic services and paid services) and those of private agencies, delivering for instance labour pools, secondments, pay-roll services etc. The full-service concept developed is twofold:

- The offices delivering basic services in the Centres for Work and Income (CWI) are close to the employers, offer easy access and use the concept of an open marketplace where parties meet. Part of the concept is sharing of business premises, where employers can get both basic PES services and paid services offered by others.

- The part of the PES delivering paid services to employers, as described above, delivers a broad range of services, including some which are not set up by the PES. Through agreements with commercial agencies, the PES is able to deliver joint service contracts to individual employers.

The main effects of this full-service concept are:

- An efficient labour supply.
- Made-to-measure services provided by others with PES basic services as a starting point.
- Self-activation of employers and jobseekers.

6.3 Market canvassing model (Marktbewerkingsmodel)

The essence of canvassing the market is to build up, restore and maintain the relationship with the employer in order to increase the number of vacancies which might be of interest to jobseekers. The way employers are approached depends on the status of the relationship. A sector-oriented approach or a jobseeker-target-group approach can be used. The model provides help to placement officers in building up and maintaining effective and professional contact with clients. It consists of three items:

- Maintaining business relations.
- Market canvassing targeted on market outreach and market penetration.
- Market canvassing targeted on placement of jobseekers.

The model is divided into four different categories:

Current status category		Goal of contact	Examples of possible PES actions
A.	Good and effective client relationship	Maintain current relationship	Company visits, gifts, *Werkzaken* magazine
B.	Unstable contact and/or low vacancy filling rate	Re-establish relationship	Company visits, personal direct mail
C.	Potential client, prospect	Building up the relationship	Structured mailing, company visits, vacancy acquisition
D.	No contact desired	-	None

Employers can be approached on an individual basis or as a group, depending on the profiles of jobseekers or on relevant developments in sectors or branches.

For placement officers using the model, the following resources are available:

- Manual with operation scripts.
- Communication tools such as promotion materials, standard letters, call scripts.

- Research and analysis instruments.
- Technical support system for standard information tools and activity planning.
- Training of staff.
- Implementation support.

The main effects of the model are:

- Clear view of market and opportunities, only employers who can expect something from the PES will be contacted.
- Clear view of each category of employer makes contacts more effective.
- Structured and planned activities with focused priorities.
- Quick and adequate response to developments on the labour market.
- Effective match of demand and supply.
- Measurable and comparable results of activities.
- Uniformity in performance towards employers.

7. Priorities for marketing strategy 2000-2001 and conclusions

The division of the PES into basic public services in the CWI, and reintegration services, personnel services and employability services in a reintegration unit, will influence the marketing strategy for both parts of the PES.

For the reintegration unit, the aim for 2000 is to become "the partner for use and development of human talent", developing contract-based project activities, becoming the main contractor for the services it provides, and developing and strengthening partnerships with other intermediaries based on the full-service concept.

For basic services located in the CWI, the aim for 2000 is to become a "dynamic marketplace for jobseekers and employers" based on the principles of own initiative and responsibility, 24-hour service (supported by call centres and the electronic databases), personal advice and guidance if and where needed, and the concept of the basic provider surrounded by commercial service providers. The marketing concept, methods and instruments (described in Section 6) have proved to be effective, and therefore will be continued and integrated into both the new concepts under development.

Changes in the labour market and in the needs and wishes of both employers and jobseekers, as well as changes in social security and the role of different organisations on the labour market, take place all the time. A constant update, review and development of products, services and supporting instruments and methods is needed to keep marketing strategies up with the dynamic environment in which the PES is operating.

NOTES

1. The four definitions of unemployment used are "registered unemployment" (a composite measure based on both registration and labour force survey information), beneficiaries, labour force survey basis unemployed and registered non-working jobseekers.

2. Pool labour is a pool of jobseekers who, after for instance a training or work experience programme, will be placed on secondment within a company while the pool remains their legal employer.

3. The "cross-sector approach" sets ups agreements applying to several sectors with similar or matching needs, responding to the criticism that a sector approach might lead to segmentation on the labour market.

BIBLIOGRAPHY

KPMG Economic Research and Policy Consulting (1998), *The PES in the Netherlands*, July.

Arbeidsvoorziening Nederland (1998*a*), *2002 Business Plan*, March.

Arbeidsvoorziening Nederland (1998*b*), *Het Marktbewerkingsmodel*, September.

Arbeidsvoorziening Nederland (1998*c*), *Hoe werven bedrijven.*

Arbeidsvoorziening Nederland (1999*a*), *Landelijk beleidsplan 2000*, November.

Arbeidsvoorziening Nederland (1999*b*), *Samenvatting bedrijfsplan Basisdienstverlening.*

Arbeidsvoorziening Nederland (1999*c*), *Samenvatting bedrijfsplan Reintegratiebedrijf.*

ONE-STOP STATECRAFT: RESTRUCTURING WORKFORCE DEVELOPMENT PROGRAMS IN THE UNITED STATES

David E. Balducchi and **Alison J. Pasternak**[1]
Employment and Training Administration, United States Department of Labor

1. Introduction

During the 1990s, the United States (US) began a campaign to modernize the delivery of US workforce development programs.[2] The modern US system is known as the one-stop delivery system. Its purpose is to organize a seamless network of workforce development services where jobseekers are able to prepare for and find work and where employers are able to find qualified workers. The one-stop delivery system links and co-ordinates programs that provide labor market information, labor exchange [*i.e.* employment service (ES)] services, income support, skills training and education (National Center on Education and the Economy, 1997, p. 8). This paper describes the restructuring of workforce development programs and the decentralized US approach to public administration that sometimes forms the crosscurrents of federal, state and local policies.

In 1999, the OECD published a comprehensive report entitled *The Public Employment Service in the United States*, which included an analysis of the one-stop delivery system. This paper supplements that analysis. Our examination of the statecraft of the public one-stop movement is organized into five sections. In the first section, we describe the role that US federalism plays in the delivery of workforce development programs. This is followed by a description of the modern US system, and the services offered in one-stop centers (*i.e.* local offices) that are likely to become commonplace. In the third section, key provisions in the Workforce Investment Act (WIA) of 1998 that were adopted to strengthen the one-stop delivery system are discussed. Next, we summarize our findings and advance our views on prospects for the one-stop delivery system. An annex describes efforts during the Clinton era to incorporate market competition into the public ES.

2. The role of US federalism[3]

The circumstances that gave rise to the public one-stop movement are best understood in the context of US federalism and its shifting apportionment of responsibilities between the central government and subdivisional governments. In this section, we broadly describe the pivotal role US federalism plays in the delivery of workforce development programs. In the United States, a distinction is made between *social* programs which refer to welfare and retirement benefits programs, and *workforce development* programs which refer to public ES, job training and unemployment insurance (UI) programs.

Federalism and workforce development programs

Federalism is an elastic construct shaped by the cycles of politics. Throughout most of the American Republic's history, central control of government actions was associated with Republican policy makers. Conversely, enmity toward central government control was typical of Democratic policy makers. "The great switch came under the New Deal when Franklin D. Roosevelt took up the pursuit of Jeffersonian ends [sympathy for the "common man"] by Hamiltonian means [advocacy of a strong central government], and the ancient friends of central power adopted the opposition to federal intervention which is still one of their pursuits" (Conlin, 1988, p. xiv). In the year 2000, decentralized control of the one-stop delivery system enjoys bipartisan political support. This bipartisanship is based upon historical compromises between federal and state political masters. The federal-state odyssey of workforce development programs springs from the economic tumult of the Great Depression of the 1930s.

Cooperative federalism

During the Rooseveltian New Deal, the American "welfare state" was created. Federal grants-in-aid, dubbed categorical grants, were used then, and are still, to support and encourage state and local program participation. Under a cooperative approach to federalism, categorical grants are provided to state and local governments for specific purposes. Such was the case with the formation of the federal-state employment security partnership consisting of a public ES established under the Wagner-Peyser (W-P) Act of 1933 and UI established under the Social Security Act of 1935. Both of these intergovernmental programs are administered by state government agencies and funded through federal categorical grants. These grants, for the most part, are derived from a federal unemployment tax paid by employers. (Although UI benefits are funded through state unemployment taxes paid by employers.) To receive federal categorical grants, state agencies must, among other things, utilize a merit system of personnel administration (*i.e.* a system in which appointments and promotions in public service are based on competence) consistent with federal guidelines.

During the 1960s, with the expansion of President Johnson's Great Society social programs, categorical grants became a target for detractors of the welfare state. It was during this period that the federal government introduced national job training programs, called "manpower" programs, to aid disadvantaged (*i.e.* low income) and dislocated (*i.e.* permanently laid-off) workers. State agencies and local public and private agencies received categorical grants to operate manpower programs.

New federalism

In 1969, Republican President Nixon accepted most of the existing workforce development and welfare programs, but opted to decrease the number of federal categorical grants and replace them with block grants to state and local governments. The intent was to decentralize programs that provided services to localities. This concept became known as New Federalism – an approach that exalted local over state control.

Nixon approved a job training bill in 1973 called the Comprehensive Employment and Training Act (CETA). The CETA provided job training funds through quasi-block grants (*i.e.* single objective grants) to local governments, called prime sponsors. Local prime sponsors were responsible for administering the delivery of job training through public and private agencies. For the most part, state governors were only given control of funds for the delivery of job training programs in sparsely populated areas.

In 1978, as part of the renewal of CETA, Democrat President Carter supported the Nixon block grant and local control approach. Under Carter, prime sponsors were encouraged to establish private industry councils that included business representatives to oversee job training priorities and promote private sector employment. Carter's workforce development policy embraced Nixon's New Federalism. It signaled a bipartisan political preference for decentralized federalism.

Under the New Federalism of Republican President Reagan, the goal was to devolve (*i.e.* radically decentralize and deregulate) the federal role in social programs. Reagan was ideologically opposed not only to the centralized welfare state of the New Deal and Great Society programs, but also to the decentralized welfare state of Nixon. Dissatisfaction with CETA led to enactment of a scaled-back version of job training called the Job Training Partnership Act (JTPA) of 1982. Under JTPA, state governors were granted responsibility to distribute, based upon federal formula guidelines, job training funds to local governments. Also, JTPA revised the W-P Act to allow governors broader discretion in the use of federal categorical funds to administer ES. To the extent possible, federal involvement in the planning and administration of job training programs was eliminated. Local prime sponsors were reorganized as service delivery areas, and job training continued to be delivered by public and private agencies.

Reinventing government

In 1993, the National Performance Review (NPR), a vice-presidential task group assigned to develop ideas to make government work better and cost less, recommended that the United States "(c)reate a system of competitive, one-stop, career development centers open to all Americans" (NPR, 1993, p. 49). The one-stop implementation grant initiative began soon afterwards, under administrative authority of the US Department of Labor (USDOL). However, federal legislation mandating the implementation of state one-stop delivery systems was not enacted until 1998.

Early in his term, "New Democrat" President Clinton endorsed welfare and workforce development reforms "to radically change the way the government operates – to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities (...) " (NPR, 1993, p. i). Between 1994 and 1998, three major workforce development reform bills, each including the establishment of a one-stop delivery system, were considered by the US Congress, but the first two failed to pass. The proposed Reemployment Act of 1994 would have consolidated employment and training programs funded by USDOL, but it received only scant congressional action. After a conservative Republican takeover of the US Congress late in 1994, Clinton issued a policy proposal labeled the Middle Class Bill of Rights. One of its planks was a G.I. Bill for America's Workers which called for retraining vouchers for adults and for many of the reforms contained in the ill-fated Reemployment Act.

The House and Senate chambers of the US Congress passed, in separate versions, some features of the proposed G.I. Bill for America's Workers (Fine, 1996), but major differences remained unresolved. In May 1996, to aid House and Senate deliberations, Clinton spelled out his views on workforce development federalism. In a letter to the US Congress, Clinton strongly endorsed local control of job training programs, but declared that governors should remain responsible for federal categorical grants to administer a public ES, and have approval authority over job training plans. His letter went on to assert that local one-stop centers should be administered by local boards, and job training funds should be allocated to local communities for adults, dislocated workers and youth (Clinton, 1996). Nonetheless, the Senate maintained a view that state governors should be given greater control, and the bill died (Fine, 1996).

Finally, a revised proposal, the Workforce Investment Act, was introduced in the US Congress and enacted in August 1998, culminating a five-year struggle to achieve workforce development reform. The lodestar of WIA is that workforce development programs must be delivered through local one-stop centers. However, WIA did not change the administrative custody for the bulk of one-stop services and custody is parceled between state and local governments:

- **Benefits services:** unemployment insurance services, funded under the Social Security Act, are administered by state agencies and delivered by state merit-staff employees.

- **Labor exchange services:** employment service services, funded under the W-P Act, are administered by state agencies and delivered by state merit-staff employees – except in the states of Colorado, Massachusetts, and Michigan where demonstrations (*i.e.* experimental programs) of alternative delivery systems are underway. Market competition, as a means to transform public programs, marked the Clinton era. Delivery of ES services was a battleground (see annex).

- **Training services:** employment and training activities (core, intensive and training services) for adults, dislocated workers and youth, funded under Title I of WIA, are administered by local boards and delivered by local public and private agencies.

Under WIA, states distribute to local boards (discussed later) federal job training funds for adults, dislocated workers and youth, and local boards decide how these funds are to be spent. In contrast, state agencies retain responsibility for the administration of federal categorical grants for ES and UI programs.

3. One-stop delivery system

Early in the 1990s, the United States endured a shallow although persistent recession.[4] Unemployment peaked in June 1992 at 7.8% (OECD, 1999, p. 203). Since then, the US economy has experienced a strong upswing, reveling in low inflation and a soaring stock market and, in January 2000, achieving an unemployment rate of 4%, the lowest in 30 years.[5]

In September 1993, NPR, in advocating the development of one-stop centers, painted a grim portrait of the US workforce development system:

> "Our system is badly fragmented. Each service – from job referral to retraining – is designed for different people, with different rules, regulations, and reporting requirements. Bewildered, often dispirited, jobseekers must trudge from office to office, trying to fit themselves into a program. When they find a program, they may find that they aren't eligible, that it's all filled up, or that the classroom is across town" (NPR, 1993, p. 49).

This reproach helped mobilize support for the one-stop center concept where access to various workforce development services is available at one location, and aided USDOL efforts to seek an overhaul of America's workforce development structure. Since 1994, the US Congress, despite its rejection of two proposals for long-term workforce development reform, has favored Clinton's budget requests to build the one-stop delivery system and expand electronic self-services.

Falling unemployment rolls made it easier for states and USDOL to restructure delivery systems and improve services. The old American adage oft spoke by USDOL's Assistant Secretary Ray Bramucci held: *Fix the roof when the sun shines!* With Congressional approval, USDOL's

Employment and Training Administration provided states with supplemental one-stop implementation grants and labor market information grants, totaling USD 826.5 million (Fiscal Years 1994-2000), to finance the consolidation of delivery systems and the development of electronic self-services. To receive the one-stop grants, states were required to submit plans to USDOL. Between 1994 and 2000, each state was awarded a single one-stop implementation grant, distributed over a three-year period, in an amount based upon need with no provision to cover ongoing costs. As a result, some 1 100 of the nearly 2 400 public ES, UI and JTPA offices in the United States were designated one-stop centers. Under WIA, by July 2000, all local offices will be part of state one-stop delivery systems, and will be designated as one-stop centers or affiliated one-stop sites.

The look and feel of one-stop centers vary across the United States, yet an everyday menu of services is emerging. One-stop centers are viewed as "a way to make the system more transparent to the clients, giving them an integrated interface for a broad range of services" (OECD, 1999, p. 84). Next, we shed light on the composition of one-stop customers, describe a menu of services, and elaborate on several successful service innovations.

Customers

Nearly 20 million jobseekers register with ES agencies for labor exchange services each year. In light of the fact that labor exchange services are the centerpiece of the one-stop delivery system because they are universally available to jobseekers and employers, one can approximate from the ES data for Program Year (PY) 1998 (July 1, 1998 through June 30, 1999) the populations who visit one-stop centers.

More than 80% of those who register are unemployed. Seventeen per cent are under age 22, and nearly 7% are students seeking employment upon graduation. Ten per cent of those registered are veterans (*i.e.* individuals who have served on active US military duty), who are provided first priority for referrals to appropriate job openings. Five per cent are welfare recipients, 2% are persons with disabilities and 1% are migrant and seasonal farmworkers. Thirty-seven per cent are UI claimants (USDOL, 2000).

Studies indicate that less than 20% of UI claimants receive skills training to improve their employability.[6] However, it is unclear whether the low share of UI claimants receiving skills training is due to low demand for or low supply of appropriate skills training services. In PY 1997, 500 000 jobseekers received services beyond assessment under JTPA: 53% received training through the dislocated worker program; 30% through the economically disadvantaged adults program; 15% through the economically disadvantaged youth program; and 2% through the older workers program (USDOL, 1999*g*).

As for employer use of one-stop centers, survey data indicate that an estimated one-third of employers use public ES agencies as a method of recruiting workers. The ES agencies account for about 3% of newly hired workers in all jobs (Holzer, 1998, pp. 9, 10). In PY 1998, employers placed 2.9 million job orders – for 7.3 million jobs – with ES agencies (USDOL, 2000). Of the 7.6 million US employers (USDOL, 1999*d*), 126 000 employers, as of January 2000, were registered to list jobs directly with America's Job Bank (AJB), 18% of which were private employment agencies.

Menu of services

In one-stop centers across the United States, services are delivered to jobseekers and employers in a variety of ways including remote self-service, facilitated self-help service (*i.e.* staff

member assistance in the use of self-service technologies) in resource rooms, one-on-one consultations, and group activities such as workshops (see Box 1). Additionally, services are sometimes offered off-site at local businesses; such services may include business consultations for employers or "rapid response" services consisting of UI, ES and job training services for workers confronting mass layoffs or plant closings.

The services available through the one-stop delivery system are provided by numerous one-stop partners. These partners, who are responsible for various workforce development programs, bring to the system a variety of services that often focus on specific jobseeker and employer populations. The everyday menu of services available to *jobseekers* in a one-stop center might include:

- Career resources and self-help job search services.
- UI claims filing, worker profiling and benefits services.
- Assessment interviews, employment counseling and interest or skills testing.
- Development of individual service plans and case management services.
- Reemployment services, job search assistance, labor market information, job clubs and job search workshops.
- Referrals to employment, skills training, educational programs and support services.
- Outreach to migrant and seasonal farmworkers.
- Information about the Federal Bonding Program.[7]
- Access to the programs and services of all the one-stop partners (*e.g.* community colleges).

The everyday menu of services available to *employers* might include:

- Job listing, employee recruitment and referral, and testing of applicant skills.
- Interview facilities, apprenticeship and customized recruitment.
- UI tax and benefits services, labor market information.
- Information about Foreign Labor Certification programs and federal employment tax credits.[8]

From the start, one-stop centers were designed to doff the image of drab, sterile and uncomfortable ES offices, sometimes referred to as "unemployment" offices. Modern centers are configured to be customer-friendly, and meet the needs of jobseekers, employers and communities. The innovations described below are aiding the transformation of old-style, bureaucratic local offices to modern, full-service one-stop centers.

Customer service

Beginning in the 1970s, the United States experienced a catharsis in business attitudes toward customer service. The specter of global competition and the concomitant restructuring of the US economy enkindled it. During the ensuing years, numerous books were published describing how the best-run US companies achieved success. One of the most popular accounts was entitled *In Search of Excellence* by Tom Peters and Bob Waterman. In it, Peters and Waterman found that:

> "In observing the excellent companies, and specifically the way they interact with customers, what (…) [was] most striking was the consistent presence of obsession. This characteristically occurred as a seemingly unjustifiable overcommitment to some form of quality, reliability, or service" (Peters and Waterman, 1982, p. 157).

Box 1. **Naylor Road, District of Columbia, One-Stop Career Center**

Services available to individuals at the Naylor Road One-Stop Center include information about local, regional and national labor markets; access to computers, books, periodicals, videos, faxes, copiers and telephones (located in the Resource Center and Library); job listings; job referral and placement; information about hiring requirements; information about the eligibility requirements for training programs; testing and assessment; job search skills workshops and assistance in filing unemployment insurance claims. Customers can post their resumes to the Internet via America's Talent Bank. The Naylor Road One-Stop Career Center provides special services for veterans, dislocated workers, youth, senior workers, welfare recipients and persons with disabilities. Services available to employers include pre-screening of applicants; easy access to post job listings on America's Job Bank; job and industry growth trends and forecasts and wage data; and other valuable labor market information.

The Naylor Road One-Stop Center has facilitated numerous employer recruitment efforts, including providing employers with a facility to conduct on-site interviews. It also established a Dress for Success Clothing Closet to assist customers with business attire. Donations from employers, customers and staff have enabled many customers to be appropriately dressed for job interviews.

Customers visiting the Naylor Road One-Stop Career Center receive prompt and courteous service – beginning with the friendly, customer-focused "concierge" staff who greet each visitor with a warm smile, a friendly welcome and an invitation to a hot cup of coffee or other beverage. The Center has served over 15 000 customers with 90% of customers surveyed rating service delivery as either "very good" or "outstanding."

Source: Excerpted from USDOL (1999*c*, p. 23).

In the 1990s, businesses' commitment to total customer service was frequently expressed through the one-stop solution where companies could assure customers that all their needs would be satisfied in one accessible location. The service obsession that Peters and Waterman observed proved attractive to the public sector. Policy makers reasoned that if obsession with customer service was a key factor in the success of top performing US companies, so to could public agencies increase their success through customer service. Government adopted the one-stop solution as a means to achieve customer satisfaction. As Congressman Richard Gephardt, House Democratic Leader, observed:

> "A current vogue in government – and a good one – is the idea of creating one-stop shops for citizens: merging programs, agencies, and offices so that citizens can go to one place and find out all the services available, whether they be targeted for people out of work, senior citizens, mothers and babies, or armed forces veterans" (Gephardt, 1999, p. 168).

Consistent with the techniques of quality, reliability and service that Peters and Waterman found essential to successful US companies, several one-stop states have incorporated many of the customer-driven practices of US companies:

- **Quality:** Colorado introduced a "customer delight" service philosophy and re-engineered its UI claims taking function to increase efficiency and accuracy. Claimants file UI initial claims from their residences by calling a centralized telephone unit staffed with claims representatives. Colorado's approach is similar to the telephone merchandising techniques of L.L. Bean and other customer-driven catalogue companies. By December 1999, 13 states had implemented telephone initial claims taking, and all but three states were in the process of implementing it.[9] In another quarter, the Tampa, Florida, Employment Service Center adapted the "entrance greeter" concept innovated

by Wal-Mart stores. A knowledgeable one-stop staff person is stationed at the entrance of the Tampa center to greet jobseekers and employers and to quickly and accurately direct them to services. Other one-stop centers (see Box 1) have adopted the Tampa center approach.

- **Reliability:** Oregon and other states strive to emulate in their one-stop centers the high service standards that typify the worldwide reputation of McDonald's hamburger outlets: quality, value and consistency. Also, Oregon and Ohio incorporated into the design of their one-stop centers "kiddie corners," an enticing feature of many American fast-food outlets, where jobseekers are able to leave their children in a safe area of the One-Stop center while they engage in job search activities.

- **Service:** Georgia, Rhode Island, Wisconsin and other one-stop states measure internal and external satisfaction through customer surveys – techniques that IBM, Disney and other successful companies employ to stay close to their customers. The ethos of customer service is so prevalent that the US Congress included in WIA a requirement that one-stop centers measure customer satisfaction. Georgia also originated the one-stop center Reemployment Services Unit (REU) which provides one-on-one counseling to dislocated UI claimants. The REU is an exemplar of the "service-through-people" philosophy of Disney (Peters and Waterman, 1982) and other customer-driven companies.

Technology

Technology is a new citadel of power and its allure has not been lost on policy makers. The rise of electronic job finding services is a barometric reflection of Internet growth. The Internet is redefining the relationship among jobseekers, employers and ES agencies. It has thrust USDOL's primary electronic product, AJB, to heights of usage unimaginable a decade ago.

In 1979 USDOL began to maintain a national database of job openings called the Interstate Job Bank (IJB). The IJB was a composite of state job openings from employers who requested nationwide listings, and lists were distributed weekly to ES offices on microfiche. The IJB contained only 48 000 job openings in November 1993 when Labor Secretary Robert Reich renamed it AJB. In February 1995, AJB became linked to the Internet, and in November employers were able to directly enter their job orders on AJB. Currently, all states voluntarily connect their job openings to AJB, and one-third of the job openings are listed directly by employers. America's Job Bank is the largest and most frequently visited job bank in cyberspace. Between 1995 and 2000, AJB experienced a meteoric growth, rising to an average stock of 1.5 million job openings.[10] While AJB and other self-service products are viewed as technological successes, their impacts have yet to be fully evaluated.

The USDOL sponsors four websites for jobseekers and employers that are connected to each other and to state websites (see Box 2). The websites are available free-of-charge. In addition, there is a burgeoning market-driven group of Internet sites that list job openings and provide other workforce development services. While private Internet job sites such as *Monster.com* and *Headhunter.net* do attract many jobseekers and employers, they often charge a fee for certain services. Still, the increasing number of private Internet job listing sites and their growing popularity may invite future debate among policy makers about the role of government in the job-listing marketplace.[11]

Box 2. **America's Workforce Network websites**

America's Job Bank (www.ajb.org) is a nationwide electronic labor exchange. In November 1999, 38% of the job openings were in professional and managerial occupations – half of which were information technology, engineering and architectural positions. Twenty-eight per cent were in clerical and sales occupations, and the remainder were in manufacturing, transportation, construction and other occupations.

America's Talent Bank (www.atb.org) is a resume posting site for jobseekers which contains 1.6 million resumes that can be accessed by employers electronically.

America's Career InfoNet (www.acinet.org) is a site where jobseekers can learn about national and state labor markets, employment trends, salaries, and educational requirements.

America's Learning Exchange (www.alx.org) is a site offering jobseekers and employers information on education and training. Currently, it contains information on 165 000 courses, 43 000 degree programs and 30 000 seminars.

Technology is aiding one-stop operations in other ways. Oregon is addressing an obstacle some unemployed jobseekers face: the loss of access to a personal telephone. (Some unemployed jobseekers get behind on their telephone bills or have housing difficulties.) The cities of Salem and Eugene are piloting a community voice mail system – a service that has proved successful for Welfare-to-Work jobseekers in other states. Through this system, jobseekers are assigned telephone mail boxes into which employers can leave messages. Later, jobseekers can access their voice mail boxes by calling from local one-stop centers, pay phones, or other locations. This allows jobseekers to provide employers with a local phone number to contact them to schedule an interview or discuss a job opportunity. Also, 40 states have implemented interactive voice response systems that enable jobseekers to file by telephone for weekly UI benefits and, in several states (*e.g.* North Carolina, Washington), to obtain job openings.

Resource rooms

Modern one-stop centers provide jobseekers and employers with commodious areas, called resource rooms, devoted to a range of self-services that are easily accessible and free of government "red tape." In many one-stop centers, resource rooms replace areas where UI claimants once stood in long lines to file for benefits. As with public libraries, resource rooms provide information, books, brochures, videos, directories and computer-assisted tools (see Box 3). Jobseekers are able to use these rooms as their "business office" for job finding. Generally, staff members are present in resource rooms to assist jobseekers in using the services and equipment. For example, the resource room in the Renton, Washington, Career Development Center includes a Resource Library and a Computer Resource Area. Jobseekers are assisted by three staff in the Resource Library and two support staff maintain the computer equipment. The Renton center houses 30 computers that are available for preparing resumes and cover letters, exploring self-paced job search tutorials, and researching wage and occupational information (SPR, 1999*a*).

Many states track customer usage of the information and services available in resource rooms. Connecticut has implemented a barcode tracking (*i.e.* swipe card) system to monitor the use of self-service resources. When jobseekers enter a resource room in any *Connecticut Works* center, they provide basic information including name, address, social security account (SSA) number, and phone number. Staff members then issue swipe cards to the jobseekers. Thereafter, each time the jobseekers

Box 3. **Tools in a typical resource room**

Computers with word processing and resume-writing software, and Internet access
Laser printer
Copy machine
Telephones and fax machine
Work tables
Library with labor market and job search information

access self-services in the resource room, they must first insert their cards into a reader that records SSA numbers and the types of services accessed. The data are used to develop quarterly management reports on service activity for use in planning, expansion, activity flow, and understanding jobseekers' needs. During the quarter ending March 1999, the swipe card system in Connecticut tracked 5 666 jobseekers utilizing resource room services on more than 16 000 visits to 17 one-stop centers (Connecticut Department of Labor, 1999). Not surprisingly, the most heavily utilized equipment was the personal computer.

Self-services

During the one-stop implementation grant period, states were encouraged to implement self-services as a means to expand services and increase usage. Often, less attention was directed to rebuilding the professional cadre of one-stop center staff who provide counseling, job search assistance, placement and employer services. Several recent studies of one-stop self-service technologies may prod policy makers to reexamine the apportionment of funds between electronic self-services and staff-assisted services.

A study conducted in 1999 found that one-stop centers which begin with a vision of developing a self-service infrastructure often discover that many jobseekers need staff assistance to at least start using self-services (SPR, 1999*a*, p. VII-1). It may be that electronic self-services will aid only the more sophisticated jobseekers of this generation. Other jobseekers will require some staff-assisted services in addition to self-services. Further, many employers who use the one-stop system may require customized recruitment services.[12] In fact, the same study found that employers preferred intensive, one-on-one services to self-services (SPR, 1999*a*, p. VI-11). These findings are consistent with a 1999 survey of Wisconsin ES staff that repudiates "planning assumptions that 'self-service' technology could (or should) replace Job Center staff and that partners would become interchangeable, picking up the slack for a shrinking" ES agency. Wisconsin also found that ES staff were "aware of the unresponsiveness" in too heavy a reliance on self-services in one-stop centers (Wisconsin Department of Workforce Development, 1999, p. 3).

It may be that self-service technologies, standing alone, are not the panacea that some states hoped them to be. Self-services that dominate a state's one-stop delivery strategy may make for a technology-focused agency, but not necessarily a customer-driven one. Without a balanced approach to the delivery of electronic self-services and staff-assisted services, over-reliance on self-service technologies may result in a failure to meet the needs of some jobseekers and employers.

Job search workshops

The Worker Profiling and Reemployment Services (WPRS) system[13] is designed to identify, through a statistical profiling model, UI claimants who are likely to exhaust benefits and will need extra job finding services. Implementation of WPRS by states spurred the growth of job search

workshops. In 1993, federal legislation made state participation in WPRS mandatory, and further required UI claimants who are identified through the profiling model and referred to services to participate in job search assistance[14] or risk losing UI benefits[15] (Balducchi, Johnson and Gritz, 1997, p. 473). During PYs 1994-98, there was a significant increase in the use of job search workshops by UI claimants. In PY 1994, 43.4% of UI claimants who received a W-P Act reemployment service received it in the category of job search workshops; in PY 1998, the percentage rose to 69.5% (USDOL, 1996, 2000).[16] In many one-stop centers, the use and popularity of job search workshops for UI claimants may have increased their availability to other jobseekers.

Most one-stop centers offer workshops on topics such as job search methods, preparation of cover letters and resumes, interviewing skills, and labor market information. Workshops vary in length, usually lasting from 30 minutes to three hours. Staff who conduct the various workshops may be employed by multiple one-stop partners. Other than UI claimants, who may be required to participate in a job search workshop, attendance at workshops is voluntary.

The Racine, Wisconsin, Workforce Development Center conducts 34 different workshops (see Box 4), scheduling two or three workshops daily. Also, several workshops are conducted in Spanish and several are held in the evenings, such as one entitled "Budgeting," from 6:00 PM to 8:00 PM. During 1998, 33 000 jobseekers used the Racine center, and 4 496 of them attended 573 workshops (Racine County Workforce Development Center, 1998, p. 10). Similarly, the Des Moines, Iowa, Workforce Development Center is open on weekdays from 8:00 AM to 6:00 PM and on Saturdays from 9:00 AM to 1:00 PM and organizes "Workforce After Hours," an evening social for employers held once per quarter. During the evening events, employers visit with local labor market staff and learn about the services available at the center.

Box 4. **Selected Racine Center workshops**

Hot Occupations that Pay Well
Surviving Job Loss
Searching the Internet for Jobs
Business Plan Basics for Entrepreneurs
Dress for Success
Getting the Job You Want
Anger Management
Balancing Time for Home and Work

Many one-stop centers across the United States offer other features to improve services. For example, the Beaverton, Oregon, center holds special early morning sessions. The office invites UI claimants to an Early Bird orientation at 7:00 AM. During the orientation, claimants are told about the services offered in the center. Afterwards, they meet one-on-one with a counselor, develop an individual service plan, and leave with at least one job referral. During January and February 1998, 345 Early Bird attendees received 600 job referrals[17] (Oregon Employment Department, 1998).

Scant evaluation evidence

We are aware of no evaluation of the impacts of the one-stop delivery system. The evidence is derived from process analyses, three of which were published subsequent to the OECD study of the US PES. The first study assessed the self-service approach in one-stop centers and found that self-services are better seen as complementary to, rather than replacements for, staff-assisted services (SPR, 1999*a*). The second study assessed the linkages between UI and one-stop systems and found that the shift from in-person initial claims to telephone claims decreased the interaction between UI

and other one-stop partners in the study states (SPR, 1999*b*). The last study found that one-stop centers augment service integration for welfare recipients, and co-location of welfare services resulted in no evidence of a negative stigma for non-welfare jobseekers in the study states (McIntire and Robins, 1999, p. iii).

Without a formal evaluation of the effectiveness of the one-stop delivery system, its net impacts are not knowable. Since PY 1994, the selected state data on the ES and JTPA programs[18] that are available show increases in rates of entry to employment both for registered jobseekers and participants in skills training.[19] It is not clear whether the increases exceeded what would be expected given that this was an expansionary part of the business cycle. Moreover, during this period, not all states had implemented one-stop delivery systems, and those that did may not have had one-stop centers operating statewide.

4. The Workforce Investment Act of 1998: a legal framework for the one-stop delivery system[20]

The WIA was enacted to replace JTPA, revise provisions of the W-P Act that govern the ES program, and restructure the delivery of workforce development programs. States and local areas must establish one-stop delivery systems where agencies responsible for administering workforce development, education, and social programs collaborate to create a seamless system of service delivery. These agencies are referred to as one-stop partners. States must begin operating under the new one-stop delivery system by July 1, 2000.

To bolster the restructuring effort, Labor Secretary Alexis Herman first branded the new US system "America's Jobs Network"[21] (USDOL, 1999*a*). In July 2000, the Labor Secretary will re-brand it "America's Workforce Network". The essence of America's Workforce Network is the consolidation of workforce development programs, services and governance structures. To fully illustrate how one-stop centers operate and to describe what services are offered in them, it is useful to explain how some features of WIA restructure the US system.

Service mandates

Eligibility for services in one-stop centers is governed by the requirements of each one-stop partner's program. WIA mandates that one-stop centers implement a sequence strategy for the delivery of employment and training activities. Activities are categorized in three groups:

- **Core services:** determination of eligibility for services; outreach; intake; job search and placement services; career counseling; labor market information; initial assessment of skills and needs; information about available services, training providers, filing for UI, and financial aid assistance; and some follow-up services.

- **Intensive services:** comprehensive assessment of skill levels and service needs; development of an individual employment plan; job search workshops; individual and group counseling; and case management.

- **Training services:** skills training; on-the-job training; skill upgrading and retraining; entrepreneurial training; and job readiness training.

Each local board must make available a portion of its WIA funds to provide core, intensive and training services. It is likely that most jobseekers will receive less costly core and intensive

services. Jobseekers who are unable to secure employment through core services alone may be eligible for intensive services. Training services, the most costly services to provide, will be available to jobseekers who are not able to find employment through intensive services. In most instances, training services will be provided through the use of Individual Training Accounts (ITAs), which will allow jobseekers to select and purchase skills training. The training services must be directly linked to job opportunities in the local area (see Box 5).

Box 5. **Individual Training Accounts**

The ITA is established on behalf of an eligible adult or dislocated worker to purchase skills training from any service provider on an approved statewide list. States and local boards will structure their ITA systems and may impose dollar amounts and duration limits on ITAs. Payments may be made by electronic fund transfer through financial institutions, vouchers, or other methods, and at different increments during the skills training course.

State and local workforce investment boards

States will establish both state and local workforce investment boards. The governor is to appoint the state board. Its composition must include the governor, representatives of business (who must be in the majority), two members of each chamber of the state legislature, elected officials, labor organizations, state agency heads and individuals with workforce development experience. The state board will assist the governor in developing a five-year strategic plan describing statewide workforce development activities. The plan must be submitted for USDOL's approval. The state board will also aid the governor in monitoring statewide workforce development activities and reporting.

The governor is responsible for designating local workforce investment areas. Typically, this will be accomplished in two ways: units of local government with a population of 500 000 or more may be automatically designated as "local areas"; and, upon their request, units of local government with a population of 200 000 or more may be designated as "temporary local areas". Under JTPA, there were 627 local areas nationwide. It will be interesting to see how many local areas are designated under WIA.

Each local area must establish a local workforce investment board. The local elected official is to appoint the local board. Its composition must include representatives of business (who must be in the majority), education providers, labor organizations, community-based organizations (including those serving veterans and persons with disabilities), economic development agencies, one-stop program partners, and other individuals. A local Youth Council is to be appointed by the local board and must include representatives of youth service agencies, housing authorities, parents, youth, Job Corps and others.

Local boards will plan and oversee local one-stop delivery systems. They will also designate one-stop operators, identify providers of training services, negotiate local performance measures with the state board, monitor system performance, and enter into memoranda of understanding (MOU) with local partners for the delivery of services. Youth Councils will be established as a subgroup of the local board to develop elements of the local plan relating to youth, recommend providers of youth services, and coordinate local youth programs.

Partners

The WIA requires the establishment of at least one comprehensive one-stop center in each local area. Each comprehensive one-stop center will be comprised of 13 mandatory one-stop partners (see Box 6), and WIA encourages the participation of other agencies that operate human resource programs [*e.g.* AmeriCorps (community service programs)]. For example, the Des Moines, Iowa, Workforce Development Center, funded under a one-stop implementation grant, includes 22 workforce development partners.[22]

Box 6. **Mandatory WIA one-stop local partners**

Title I training programs for Adults, Dislocated Workers, and Youth Employment Service
Adult Education
Post-secondary Vocational Education
Vocational Rehabilitation
Welfare-to-Work employment and training
Title V of the Older Americans Act
Trade Adjustment Assistance
NAFTA Transitional Adjustment Assistance
Veterans Employment and Training
Community Services Block Grant
Employment and training activities carried out by the US Department of Housing and Urban Development
Unemployment Insurance

All mandatory one-stop partners must contribute to the operating costs of the one-stop delivery system, enter into a MOU with the local board, serve on the local board, and make the core services of their programs available in the comprehensive one-stop center. All core services required in WIA must be made available in one comprehensive one-stop center in each local area. The USDOL envisions that one-stop center partners will gradually use common intake and case management systems to better serve jobseekers and employers.

Memorandum of understanding

Each local area must develop and execute a MOU agreement between the local board and the one-stop partners relating to the operation of the local one-stop delivery system. As board members, one-stop partners must negotiate a MOU containing five conditions: services to be provided; funding of services and operating costs; methods for referring jobseekers and employers between the one-stop operator and partners; duration and procedures for amending the MOU; and other provisions agreed to by the board members. Given the MOU's administrative prominence in WIA, it is likely to become the touchstone of the one-stop delivery system.

One-stop operator

Local boards designate one-stop operators (*i.e.* local office managers) to administer the one-stop centers. Local boards may establish multiple centers in each area, and they may either select one operator for each center or a single operator for all local area centers. One-stop operators may be selected in two ways:

- **Market model:** through a competitive process, a local board may choose a public agency (*e.g.* the state ES agency, post secondary educational institution) or a private agency (*i.e.* for-profit or nonprofit agency) to administer the one-stop center.[23]

- **Consortium model:** under an agreement with a local board, three or more one-stop partners may join to operate a one-stop center.

The role of the one-stop operator is defined by the local board and may include coordination of service delivery among one-stop partners and other management activities.

Funding distribution structure

The WIA did not restructure the funding streams for state ES and UI programs. [They remain as depicted in Chapters 3 and 4 of OECD (1999).] However, it replaced JTPA's funding structure with three training funding streams for states and local areas: adults, dislocated workers and youth. Funds will be allocated by USDOL to the states based on a separate formula for each funding stream, taking into consideration factors related to unemployment and disadvantaged populations. Prior to allocating funds, USDOL will reserve 20% of the dislocated worker funds for national emergency grants, experimental programs for dislocated workers, and technical assistance. Further, in those years in which the amount of youth funds appropriated by the US Congress exceeds USD 1 billion, USDOL will reserve up to USD 250 million to fund Youth Opportunity grants.

Of the adults and youth training funds allocated to the states, governors will allocate by formula at least 85% to local areas for workforce development activities, and reserve the remainder for statewide workforce development activities. Of the dislocated worker funds allocated to the states, 60% will be allocated to local areas, 15% will be reserved for statewide activities, and 25% will be reserved for state rapid response efforts. States may merge the 15% set-asides from the three funding streams for statewide activities.

Performance measures

The WIA establishes indicators of performance to assess the effectiveness of state and local adult, dislocated worker and youth training programs. The USDOL is considering establishing comparable indicators of performance for ES, although WIA does not require it.[24]

The performance indicators for adults and dislocated workers activities (except for self-service and informational services) and for services to youth age 19-21 include:

- Entry into unsubsidized employment.
- Retention in unsubsidized employment six months after entry into employment.
- Earnings received in unsubsidized employment six months after entry into the employment.
- Attainment of a recognized credential relating to achievement of educational or occupational skills for individuals who enter employment. (For youth age 19-21, attainment is measured for individuals who enter postsecondary education, advanced training, or employment.)

The indicators of performance for services to youth age 14-18 include:

- Attainment of basic skills and work readiness or occupational skills.
- Attainment of secondary school diplomas and their recognized equivalents.
- Placement and retention in postsecondary education, advanced training, military service, or employment including apprenticeship.

Customer satisfaction indicators must be established in each state to measure jobseekers' and employers' satisfaction with the services they receive. The USDOL is to negotiate with each state the expected level of performance for the adult, dislocated worker and youth training programs and customer satisfaction indicators, and the state, in turn, is to negotiate expected performance levels with each local area. States must report their performance to USDOL. The WIA requires USDOL to award incentive grants to states that exceed expected levels of performance, and allows USDOL to impose sanctions on those that do not meet them. The introduction of WIA performance measures may increase states' accountability in meeting the needs of jobseekers and employers.

5. Summation

This paper traced the administration of US workforce federalism and the statecraft of the one-stop movement. During the Roosevelt era, US workforce development policy was erected upon a federal-state intergovernmental partnership. The partnership continues; federal grants are provided to administer state ES and UI programs. Nixon engineered an alternative to the Roosevelt workforce development policy, establishing federal quasi-block grants to local areas for job training. The Carter Administration, rather than dismantle the Nixon federal-local intergovernmental partnership, strengthened it by encouraging local business oversight.

Since the 1970s, however, the US Congress has on three occasions overhauled the federal-local job training structure. Each time the role of local governments has increased. Research evidence on the impact of training programs is undeniably mixed (OECD, 1999, p. 198). For seven decades, state governors have been responsible for UI and ES programs. Their performance appears equally mixed, with the UI program being viewed favorably and the ES program less so (USDOL, 1999*h*). During the same period, US companies became customer-driven. Public agencies embraced the customer service techniques of successful US companies. The public one-stop solution exemplifies customer service.

For almost 30 years, the US workforce development structure has consisted of two separate systems, each with distinct political masters and stakeholders: a state employment security system operated through nearly 2 400 state ES offices and a local job training system operated by 627 local areas. The dual federalism of the Roosevelt and Nixon eras in administering workforce development policy created a legacy of rival government philosophies. The two delivery systems were disjointed and sometimes in competition for jobless workers.

While maintaining the distinct charters for state employment security programs and local job training programs, the Clinton Administration devised a "third-way" approach to workforce development federalism. It weds the two delivery systems into a single one-stop delivery system without reapportioning political control of state ES and UI programs and local job training programs. To accomplish this, WIA requires that core services of all mandatory one-stop partners be available in at least one comprehensive one-stop center in each local area.

The prospects for success of the one-stop delivery system appear favorable. However, there are peaks and valleys:

- The crown jewel of WIA is the one-stop center. It is likely that the US Congress will continue to refresh the one-stop delivery system through special funding.[25]

- Perhaps the two most important service features of modern one-stop centers are resource rooms and job search workshops. It would be useful to better understand their effectiveness, as well as the overall effectiveness of the one-stop delivery system.

- The one-stop delivery system is being erected during a period of unprecedented economic prosperity, and it has not been recession-tested. The sustainability of the one-stop delivery system may depend as much upon the perception of how it weathers an economic downturn as any research evidence of its merits.

- Unemployment insurance services are becoming physically detached from the one-stop center. While centralized telephone claims and Internet UI services may be efficient, failure to coordinate them with the provision of UI eligibility reviews and reemployment services may mar the luster of the one-stop solution.

- Without an adequate level of staff-assisted labor exchange services, self-services may foster a technocracy that is unresponsive to the needs of some jobseekers and employers.

- Government intervention in the delivery of workforce development programs should be continually reassessed. Intervention is justified when a market failure exists or when society wants to reduce inequality through the reallocation of goods or opportunity. In the past decade, the number of US private employment agencies has tripled to 31 000 (Clark, 1999, p. 78). Policy makers may need to reassess whether the labor exchange market is adequately covered by private employment agencies and for which populations.

- The WIA empowers one-stop partners by giving them a seat on the local board and a share in the MOU. As one-stop partners, state ES and UI agencies and local community colleges may exercise greater influence on local workforce development policies. For this to occur, local training agencies associated with the pre-WIA governance structure must be willing to share power with non-training agencies. In each local area, progress in policy power sharing among one-stop partners may come in increments, accompanied by setbacks, with compromise and variability.

- State governors may opt for greater control of local job training. For example, Ohio's governor has developed an alternative mechanism for implementation of WIA that enables most WIA training funds to flow primarily to counties instead of local boards.

As with past federalist approaches, the fate of the Clinton Administration's third-way approach to workforce development federalism, through the one-stop delivery system, will likely depend upon the degree to which it can be imbedded into the body politic, the condition of the US economy, jobseekers' and employers' satisfaction with one-stop services, and the policy orientation of the next president. The United States is in a cycle of decentralized federalism. As such, most politicians are likely to continue to favor local control. If WIA falters, policy makers may conclude that greater decentralization is needed. If so, they are apt to target state ES and UI programs for devolution to local governments.

ANNEX

A NOTE ON MARKET COMPETITION AND LABOR EXCHANGE POLICY MAKING

During the Clinton era, efforts to incorporate market competition in the one-stop delivery system proved highly contentious for policy makers. The USDOL became embroiled in a controversy on whether states may devolve the administration of ES to local boards and allow ES services to be delivered by public or private agency employees instead of state ES agency employees (Lazerus *et al.*, 1998, p. 17). To complicate matters, the states of Massachusetts, Colorado, Texas, and Michigan introduced alternates to state ES agency delivery of labor exchange services before USDOL had fully settled on or evaluated a policy of its own making. This led to confusion, caused by an asymmetric federal policy where alternate labor exchange delivery approaches were accepted in the states of Massachusetts, Colorado and Michigan. It also led to a pitched fight for intergovernmental control between USDOL and Michigan on whether W-P Act ES services may be privatized.

Policy development

The nascent period of the Clinton presidency was influenced by David Osborne and Ted Gaebler's book *Reinventing Government*. The thesis of the book was that many government programs could be improved if they competed in the private sector marketplace. In step, the NPR recommended that categorical funding for new one-stop centers be made "more competitive, opening the process to public and private, nonprofit and for-profit entities" (NPR, 1993, pp. 50, 51). Under the heading of reinvention, two premises for ES competition emerged:

- The United States must inject market dynamics into the one-stop system by requiring service providers to compete for jobseekers and employers.

- Injecting competition into public services may not lead to privatization. Government may earn the right to serve by successfully bidding for services and responding to customers' needs (Plastrik, 1994).

Reemployment Act

Based on these premises, Clinton policy makers in 1993 developed draft proposals (later the Reemployment Act of 1994) and distributed them in the form of public consultation papers. Each consultation paper "expressed an underlying faith in the power of competition" (Levitan and Mangum, 1994, p. 43) where market dynamics would strengthen ES, and one-stop operators would compete for jobseekers and employers. However, the proposal to allow public and private ES agencies to compete for jobseekers and employers polarized the bill's natural constituencies and dominated every discussion of the bill's other merits (Balducchi, Johnson and Gritz, 1997, p. 471).

The competitive concept produced a firestorm of discomfort. States – and this included many state ES agencies – and labor unions argued that the proposal was flawed. Among the reasons, three were most often advanced: private agencies were only likely to help those customers who were easiest and most profitable to serve; employer UI taxes were levied to support state ES agencies, not private agencies; and competition created duplication of services.

In March 1994, Clinton unveiled the Reemployment Act, under which state and local governments, community colleges and private agencies could be designated as one-stop operators (Balducchi, Johnson and

Gritz, 1997, p. 471). Strident public opposition to undiluted competition in the delivery of ES services convinced Clinton to modify the competitive model advocated by Osborne and the "New Democrats". The modified bill ensured that the state ES agency would be a preemptive deliverer of labor exchange services. By July 1994, the Reemployment Act's support grew to more than 100 House co-sponsors. However, Clinton could not muster broader support due largely to a preoccupation with health care reform. The 103rd US Congress ended without further action on bill. Nonetheless, the failed Reemployment Act left a legacy of public education about the market competition, customer service and one-stop concepts. In 1998, these same concepts were imbedded in WIA.

Policy uncertainty

After the failure of the Reemployment Act, Clinton's competition policy for ES services was caught between divided administrative advisors. Over a five-year period, Clinton policy makers debated the merits of market competition and public administration, and they held numerous meetings with stakeholders. In October 1994, Massachusetts received a federal grant to implement a one-stop system. The grant authorized local boards to compete for the delivery of labor exchange and job training services and allowed both public and private agencies to deliver such services. In June 1996, when Texas sought to replicate the Massachusetts plan, USDOL advised Texas that it should not proceed until a policy review was completed. During the same period, Colorado was granted permission to devolve the delivery of state ES services to county governments. Michigan began to consider reorganizing its workforce development system in August 1997. The state was advised that prior to implementing a reorganization of ES services, USDOL must approve it. In April 1998, Massachusetts was told to restrict competition of ES services to four local areas. The USDOL appeared to be making policy *ad hoc*. The policy dispute came to a head in the Michigan case.

Privatization challenge

Through an Executive Order effective in February 1998, the governor of Michigan reorganized Michigan's ES agency by delegating the responsibility for the delivery of public ES services to local workforce boards. Local boards were required to administer labor exchange services through competitive contracts to public or private agencies, and jobseekers and employers were directed to use computerized self-services for most ES services. Michigan's reorganization raised a fundamental intergovernmental issue: whether the federal government has a right to set and enforce standards in dispensing categorical grants to states to carry out a program of national realm – namely, to maintain the public charter of an intergovernmental labor exchange. The dispute centered on three questions: whether a state may contract with private agencies for the delivery of ES services; what methods may be used in delivering ES services; and whether state government merit-staff employees must provide ES services.

In the original W-P Act, the US Congress mandated that public ES services be administered by a state agency to ensure their statewide availability, and allowed USDOL discretion in developing standards for receipt of grants. A bedrock standard imposed by USDOL required states to implement a merit system of personnel administration and to deliver ES services using state agency employees (working in local offices). Under a merit personnel system, appointments and promotions are based upon competence. This standard ensures that state agency hiring is not affected by patronage, that the execution of program services is impartial and nonpartisan, and that the delivery of services to jobseekers and employers is not affected by favoritism.

Michigan proceeded unilaterally to implement its reorganization despite notice from USDOL that it should not proceed without federal approval of a modified W-P Act plan of service or it would risk sanctions. Michigan argued that the W-P Act did not require a merit system, and that to improve the poor performance of its ES (a point USDOL did not contest) it had a right to use the dynamism of the marketplace. In February, the Secretary of Labor imposed sanctions on Michigan. They included placing a hold on its letter of bank credit to draw W-P Act funds for its ES, and putting Michigan on a cost reimbursable payment system whereby USDOL would pay only for allowable ES costs through submission of state itemized expenditures. In addition, USDOL revoked Michigan's one-stop implementation grant since ES services were a major portion of the state's one-stop plan. Such sanctions allowed service to jobseekers and employers to continue, but a congressional inquiry was held on March 25 to examine USDOL's actions. The reorganization raised four federal concerns:

- **Merit staffing:** Michigan's reorganization permitted ES services to be provided by public or private agencies. Federal guidelines require that ES services be provided by merit-staff employees of a state agency.

- **Exclusive reliance on self-service computer systems:** the reorganization in Michigan restricted staff-assisted counseling, job search assistance and job referrals to veterans, disabled jobseekers, and migrant and seasonal farmworkers (representing approximately 15% of Michigan's jobseekers). All jobseekers and employers would be able to use self-services through Michigan's computer job bank, which was linked to AJB. USDOL contended that such a lop-sided service strategy would undercut the national purpose of the W-P Act – to provide a full-range of ES services that include both self-services and staff-assisted services.

- **Administration of the work-test:** the W-P Act requires the state ES agency to participate in the administration of the UI work test. Under its proposed "self-services only" approach to delivering ES services, Michigan did not demonstrate how the ES could identify a job opportunity for a specific UI claimant, refer that UI claimant to a job and determine the result of the referral.

- **Non-compliance with regulatory procedures:** the reorganization was executed notwithstanding repeated notice from USDOL that an approved modification of the W-P Act plan of service was needed.

The state sued USDOL, and on May 15, the US District Court issued an opinion in *State of Michigan* v. *Alexis M. Herman* (W. D. MI, Southern Div.) granting USDOL's motion for summary judgment. The court concluded that USDOL's long-standing "construction of the Wagner-Peyser Act to require merit staffing is a reasonable and permissible interpretation of the Act". Michigan filed an appeal, and set in motion other intricate maneuvers to support its case.

On July 31, Labor Secretary Alexis Herman and Michigan Governor John Engler agreed on a framework for the administration of Michigan's labor exchange program. The USDOL consented to the delivery of ES services by public agencies other than a state agency, provided that such agencies utilize a merit system of personnel administration and that the terms of the agreement apply only to Michigan. Michigan agreed to consult with public unions in implementing the agreement. Finally, Michigan agreed to withdraw its appeal of the lawsuit and not to press for other legal, legislative or policy solutions (USDOL, 1998*c*). By October, USDOL had approved Michigan's modified W-P Act plan of service, incorporating the terms of the agreement, and lifted sanctions.

Demonstrations

Prior to WIA, USDOL exercised its administrative authority under the W-P Act to allow alternative service delivery approaches in three states: Colorado, Massachusetts and Michigan. In each demonstration, USDOL is testing a different method of W-P Act service delivery:

- **Colorado:** Wagner-Peyser Act services are being delivered through a county-based system using state and county merit-staff employees.

- **Massachusetts:** Wagner-Peyser Act services are being delivered through for-profit and nonprofit private and public agencies in four local areas (Boston, Springfield, Cambridge and Brockton).

- **Michigan:** Wagner-Peyser Act services are being delivered by public merit-staff employees. Public merit-staff employees are limited to employees of state government, local units of government, special purpose units of government, school districts, intermediate school districts, public community colleges, and public colleges and universities.

The USDOL has limited these demonstrations to three states. A USDOL-sponsored evaluation of Colorado, Massachusetts and Michigan is being conducted by Westat, Inc. of Rockville, Maryland. Initial findings are due in 2001.

Policy consequences

Four policy consequences stem from attempts to inculcate market competition into the delivery of ES services:

- Efforts to privatize W-P Act ES services appear to be stymied.
- State agency administration of ES through a merit system of personnel administration was upheld.
- Federal policy requiring states to provide ES services that include both self-services and staff-assisted services, specifically job search assistance and referrals to jobs, was sustained.
- Limitations on the market mechanism in the delivery of public ES programs appear to be accepted by many one-stop partners.

State agency delivery of ES services may be an unsettled issue. Several states continue to contest USDOL's resolve. A September 1999 survey of Florida local boards conducted by the Florida Senate Committee on Commerce and Economic Opportunities reflected the view that the state ES agency's responsibilities should be devolved to local boards (Florida Senate, 1999). At the century's beginning, control of the ES program may continue to be hotly contested.

NOTES

1. The views expressed in this paper do not necessarily reflect those of the US Department of Labor. We thank John R. Beverly III, Melvin M. Brodsky, David Grubb, Eric R. Johnson, Douglas C. Lippoldt and Stephen A. Wandner for their support and comments. We are responsible for errors of fact or judgement.

2. US "workforce development" programs are also known as "employment and training" programs, and broadly consist of labor exchange, unemployment benefits and skills training programs. Use of the term "workforce development" began in the 1990s. Recent US workforce reform legislation was dubbed "workforce investment," but it is too early to tell whether the term will come into vogue. In many OECD countries, workforce development programs are known as public employment service (PES) programs.

3. Portions of this section are drawn from publications concerned with US federalism and workforce development policy, including Conlin (1988), Nathan (1996), and Kaplowtiz (1998).

4. According to Mathematica Policy Research, Inc., the June 1990 to March 1991 recession was mild but the subsequent recovery was slow. "(L)ong-term unemployment peaked 15 months after the end of the recession, whereas it peaked 6 months after the ends of recessions of the 1970s and 1980s." (USDOL, 1999*b*, p. 15).

5. Despite these positive economic indices, prosperity was encountered unevenly. Wage gaps between the genders and across racial groups narrowed (USDOL, 1999*f*), and the job market for less-educated young men improved substantially (Freeman and Rodgers, 1999). Yet income and wealth inequality grew to a post-World War II high. Technology and global competition, the dominant factors that led to the 1990's boom, also reduced the supply of lower-end jobs and the rewards for poorly educated or unskilled workers (USDOL, 1999*f*; Shapiro and Greenstein, 1999).

6. Approximately 17% of UI and Emergency Unemployment Compensation (EUC) recipients and 10% of UI-only and EUC-only recipients participated in education or training programs that began while they were unemployed (USDOL, 1998*a*, p. 92). Only 16.6% of claimants referred to reemployment services through the Worker Profiling and Reemployment Services (WPRS) system were referred to education or training (USDOL, 1999*e*, p. II-20).

7. The Federal Bonding Program provides ten fidelity bonds to each state per year; states may purchase additional bonds with state funds. The bonds are available to employers of ex-offenders, ex-addicts, individuals with poor credit, individuals dishonorably discharged from the military, and low income youth with a lack of work history. Fidelity bonds insure employers for theft by bonded employees.

8. The Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit are intended to encourage employers to hire members of certain groups whom they may otherwise resist hiring. Employers are entitled to apply the tax credit against their federal income tax liabilities when they hire a member of one of the nine target groups which include welfare recipients, food stamp recipients, economically disadvantaged youth, and economically disadvantaged ex-felons.

9. In addition, Maryland was the first state to implement an Internet Initial Claims process. Since then, four other states have implemented an Internet Initial Claims process, and 18 states are planning to do so.

10. It will be interesting to see whether AJB growth will level off. It has slowed recently.

11. In the November 1, 1999, edition of *US News & World Report* there were five full-page advertisements for Internet job service sites: four private sites (*trainingnet.com*, *ibm.com/whywork*, *careerbuilder.com*, *headhunter.net*) and USDOL-funded *ajb.org*.

12. In October 1999, USDOL and Bell Atlantic Corp. announced a new partnership with 13 States and two trade organizations. The customized recruitment project will enhance efforts by state ES staff to identify and refer job candidates to regional telecommunication companies. It is hoped that the partnership will lead to entry-level employment for 2 000 to 3 000 jobseekers.

13. The USDOL, W. E. Upjohn Institute for Employment Research, and several states are developing what may be the next generation of the profiling model, called the Frontline Decision Support System (FDSS). The goal of the FDSS is to aid One-Stop staff in efficiently directing jobseekers to the most cost effective services that will meet their specific job finding and retraining needs. The FDSS referral may be based on jobseekers' characteristics, abilities, and objectives, as well as on the benefits and costs of the services.

14. Evaluation literature from several OECD countries suggests that job search assistance is effective for most groups of unemployed workers, providing the lowest cost interventions with generally the largest relative payoffs (Fay, 1996, p. 27).

15. An evaluation of WPRS conducted by SPR Associates and Mathematica Policy Research found that WPRS is meeting USDOL's goal of providing reemployment services at a greater rate and earlier in a claimant's unemployment spell. The evaluation showed that WPRS claimants received UI benefits for a shorter time, with effects ranging from one-quarter to nearly one full week (USDOL, 1999*e*, p. E-8).

16. There appears to be insufficient service capacity nationwide to provide UI claimants with the staff-assisted services that they need to become reemployed. Only about 35% of UI claimants annually who are identified as likely to exhaust benefits and in need of reemployment services are referred to services, leaving 1.4 million UI claimants without services. After a failed attempt in FY 2000 to secure additional funds for reemployment services, Clinton's FY 2001 budget request to the US Congress includes an additional USD 50 million in W-P Act funds to provide reemployment services to UI claimants.

17. Data on placements for the Early Bird attendees are not available; however, in Oregon, during PY 1997, one placement resulted for every 4.4 registered jobseekers who received a job referral (USDOL, 1999*i*).

18. WIA did not mandate reporting consolidation; however, USDOL is considering the development of consolidated data reporting systems to coincide with consolidated performance indicators.

19. In PY 1994, less than 18% of individuals registered with the ES entered employment either through a job referral or on their own after receiving ES services; in PY 1998, 19% entered employment (USDOL, 1996, 2000). In PY 1994, 63% of the individuals who received training through the economically disadvantaged adults program entered employment upon termination from the program; in PY 1997, 71% entered employment. In PY 1994, 54% of the youth who received training through the disadvantaged youth program obtained employability enhancements upon termination from the program; in PY 1997, 57% obtained employability enhancements. In PY 1994, 68% of the individuals who received training through the dislocated workers program entered employment upon termination; in PY 1997, 70% entered employment. In PY 1994, 62% of the individuals who received training

through the older workers program entered employment upon termination from the program; in PY 1997, 68% entered employment (USDOL, 1999*g*).

20. This section draws from reports, papers and regulations concerned with WIA, including USDOL (1998*b*, 1998*d* and 1999*j*).

21. In announcing America's Jobs Network, Secretary Herman referred to a 1999 book about global competition by New York Times columnist Thomas L. Friedman. In the book, "Friedman called the Workforce Investment Act 'one of the best, but most under-reported, bipartisan achievements of the Clinton era'" (USDOL, 1999*a*).

22. One-Stop partners in the Des Moines, Iowa, Workforce Development Center include: Bureau of Refugee Services; Iowa Job Service and Employers (labor marker information); Central Iowa Employment and Training Consortium (JTPA); Promise Jobs (Iowa's Welfare Reform); Dislocated Worker Center; Vocational Rehabilitation; Iowa Department of Human Services; Iowa Commission on the Status of Women; Family Development and Self-sufficiency; Area college and university; Job Services (placement, unemployment insurance); Homes of Oakridge; Target Alliance; Child Labor Enforcement; Occupational Safety and Health Administration; Worker's Compensation; Wage Enforcement; Green Thumb, Inc.; AARP (formerly, the American Association of Retired Persons); Job Corps; Elder Affairs; and Goodwill Industries.

23. A local board may be designated as the One-Stop operator with concurrence of the chief local elected official and the state governor. Public elementary and secondary schools are not eligible for designation as a One-Stop operator.

24. In addition to the rates of entry to employment, which are used as WIA performance indicators, ES performance indicators could include measures for employer services and the unemployment duration of UI claimants.

25. Clinton's FY 2001 budget request to the US Congress includes USD 154 million to enhance states' One-Stop labor market information technologies.

BIBLIOGRAPHY

BALDUCCHI, D.E., T.R. JOHNSON, and R.M. GRITZ (1997), "The Role of the Employment Service", in O'Leary, C.J. and Wandner, S.A. (eds.), *Unemployment Insurance in the United States: Analysis of Policy Issues*, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, pp. 457-503.

CLARK, K. (1999), "Why it Pays to Quit", *US News & World Report*, Vol. 127, No. 17, pp. 74-86, Nov. 1.

CLINTON, W. (1996), Letter from President Clinton to US Senator N. Kassebaum, Chairman, Committee on Labor and Human Resources, May 6.

CONLIN, T. (1988), *New Federalism: Intergovernmental Reform from Nixon to Reagan*, The Brookings Institution, Washington, DC.

CONNECTICUT DEPARTMENT OF LABOR (1999), "Barcode System Data, Quarter Ending March 31, 1999", Draft, April 21, 1999.

FAY, R.G. (1996), "Enhancing the Effectiveness of Active Labour Market Policies: Evidence from Programme Evaluations in OECD Countries", Labour Market and Social Policy Occasional Papers No. 18, OECD, Paris, France.

FINE, T. (1996), "Workforce Conference Panel Reports Out Reform Bill", in *Employment & Training Reporter*, MII Publications Inc., pp. 923-924, July 31.

FLORIDA SENATE (1999), "Devolution of Employment Services", Interim Project Report 2000-18, Committee on Commerce and Economic Opportunities, September.

FREEMAN, R. and W. RODGERS III (1999), "Area Economic Conditions and the Labor Market Outcomes of Young Men in the 1990s Expansion", Working Paper No. 7073, National Bureau of Economic Research, Cambridge, MA, April.

GEPHARDT, R. (1999), *An Even Better Place: America in the 21st Century*, Public Affairs, New York, NY.

HOLZER, H. (1998), "Search Methods Used by Employers and Employees: A Survey", under subcontract to Westat, Inc., Rockville, MD, for the US Department of Labor, Washington, DC.

KAPLOWITZ, C. (1998), "Struggles of the First 'New Democrat': Jimmy Carter, Youth Employment Policy, and the Great Society Legacy", in *Presidential Studies Quarterly*, Center for the Study of the Presidency, Washington, DC, Vol. 28, No. 1, pp. 187-206.

LAZERUS, S., G. MANGUM, S. MANGUM and J. TANSKY (1998), *The Public Employment Service in a One-Stop World*, The Johns Hopkins University, Institute for Policy Studies, Sar Levitan Center for Social Policy Studies, Policy Issues Monograph 98-02, July.

LEVITAN, S. and S. MANGUM (1994), "The Displaced vs. the Disadvantaged: A Necessary Dichotomy?", Occasional Paper 1994-2, The George Washington University, Center for Social Policy Studies, Washington, DC, May.

McINTIRE, J. and A. ROBINS (1999), *Fixing to Change: A Best Practices Assessment of One-Stop Job Centers Working with Welfare Recipients*, Fiscal Policy Center, University of Washington, March.

NATHAN, R. (1996), "A Retrospective on Richard M. Nixon's Domestic Policies", in *Presidential Studies Quarterly*, Center for the Study of the Presidency, Washington, DC, Vol. 26, No. 1, pp. 155-164.

NATIONAL CENTER ON EDUCATION AND THE ECONOMY (1997), *Building a Highly Skilled Workforce: A Labor Market System for the 21st Century*, National Center on Education and the Economy, Workforce Development Program, Washington, DC.

NPR (1993), *From Red Tape to Results: Creating a Government that Works Better & Costs Less*, Report of the National Performance Review, September.

OECD (1999), *The Public Employment Service in the United States*, Paris, France.

OREGON EMPLOYMENT DEPARTMENT (1998), Memorandum from Jo Collins, Technician, to Kathy Craft, Manager of Beaverton Field Office, April 20.

OSBORNE, D. and T. GAEBLER (1992), *Reinventing Government*, Addison-Wesley Publishing Company, Inc., Reading, MA.

PETERS, T. and R. WATERMAN JR. (1982), *In Search of Excellence: Lessons from America's Best-Run Companies*, Warner Books, Inc., New York, NY.

PLASTRIK, P. (1994), "Reinventing the Federal Unemployment and Training System: Helping Millions of American Workers Secure New Jobs", Policy Report No.19, Progressive Policy Institute, Washington, DC.

RACINE COUNTY WORKFORCE DEVELOPMENT CENTER (1998), *1998 Annual Report*, Racine County Workforce Development Center, Racine, WI.

SHAPIRO, I. and R. GREENSTEIN (1999), "The Widening Income Gulf", Center on Budget and Policy Priorities, Washington, DC, September.

SPR (1999*a*), *An Evaluation of the Self-Service Approach in One-Stop Career Centers: Final Report*, Social Policy Research Associates, July.

SPR (1999*b*), *Unemployment Insurance in the One-Stop System: Final Report*, Social Policy Research Associates, November.

STATE OF MICHIGAN v. ALEXIS M. HERMAN (1998), W.D. Michigan, Southern Division, File 5:98-CV-16 (cited in "Transmittal of the Opinion and Order and Declaratory Judgment, *State of Michigan v. Alexis Herman*", USES Information Bulletin No. 4-98, John R. Beverly III, Director, US Employment Service, US Department of Labor, Washington, DC, May 21.

USDOL (1996), *US Employment Service Annual Report: Program Year 1995*, US Department of Labor, Washington, DC.

USDOL (1998*a*), *Emergency Unemployment Compensation: The 1990s Experience*, US Department of Labor, Washington, DC, January.

USDOL (1998*b*), "Implementing the Workforce Investment Act of 1998", White Paper, US Department of Labor, Washington, DC, November.

USDOL (1998*c*), "Secretary Herman, Governor Engler Announce Resolution of Michigan Employment Service Dispute", News Release, US Department of Labor, Washington, DC, July 31.

USDOL (1998*d*), "The 'Plain English' Version of the Workforce Investment Act of 1998", US Department of Labor, Washington, DC, September.

USDOL (1999*a*), "America's Jobs Network – A New Name for Job Training Programs", News Release, US Department of Labor, Washington, DC, July 16.

USDOL (1999*b*), *An Analysis of Unemployment Insurance Durations Since the 1990-1992 Recession*, Unemployment Insurance Occasional Paper 99-6, US Department of Labor, Washington, DC.

USDOL (1999*c*), *Catalogue of 1999 National Customer Service Awards*, US Department of Labor, Washington, DC, in collaboration with the Interstate Conference of Employment Security Agencies, Washington, DC.

USDOL (1999*d*), *Employment and Wages, Annual Averages, 1998*, Bulletin 2525, US Department of Labor, Washington, DC, December.

USDOL (1999*e*), *Evaluation of Worker Profiling and Reemployment Services: Final Report*, US Department of Labor, Washington, DC.

USDOL (1999*f*), *Futurework: Trends and Challenges for Work in the 21st Century*, US Department of Labor, Washington, DC.

USDOL (1999*g*), *Job Training Partnership Act 1997 Program Statistics: PY 97 SPIR Data Book*, US Department of Labor, Washington, DC, June.

USDOL (1999*h*), *Unemployment Insurance and Employment Service Programs: A Dialogue Summary*, US Department of Labor, Washington, DC.

USDOL (1999*i*), *US Employment Service Annual Report: Program Year 1997*, US Department of Labor, Washington, DC.

USDOL (1999*j*), "Workforce Investment Act; Interim Final Rule", *Federal Register*, Vol. 64, No. 72, April 15.

USDOL (2000), *US Employment Service Annual Report: Program Year 1998*, US Department of Labor, Washington, DC.

WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT (1999), *Wisconsin Job Service Public Labor Exchange Survey*, Final Draft, March.

PART II

UNEMPLOYMENT BENEFITS AND ACTIVATION MEASURES

SOME CONFLICTS BETWEEN EMPLOYMENT POLICY AND SOCIAL POLICY IN THE CZECH REPUBLIC

Milan Horálek
Former Minister of Labour and Social Affairs

1. Introduction

Conflicts between employment policy and social policy arise among politicians, experts and most among citizens. This problem is now present in most countries, albeit to a varying extent and in different ways. No matter whether countries term themselves more or less "social", they are forced to try to solve the issue of the relation between social benefits and their influence upon the motivation of people to work as the source of their income. Employment and social policies in the economically developed countries are confronted with the need to make work pay. The aim then is the reduction of all kinds of voluntary unemployment, the effort to curb "social parasitism" and the creation of opportunities for activities in the "world of work".

2. Economic transformation and recession

Under the so-called "real socialism", unemployment did not officially exist and there was no public employment service institution, but there was social parasitism and the political adversaries of the communist regime experienced problems in getting suitable employment. The problem of unemployment only arose officially as from 1990.

Expectations that the first unemployed would be thousands of persons released by the disintegration of the communist power structures (*i.e.* from the ranks of the secret police, paid functionaries of the communist establishment, etc.) did not come true. From about 30 000 of these former functionaries only several tens registered as jobseekers in 1990 and 1991. Almost all communist functionaries chose a new existence within the private enterprise sector, becoming the first capitalists.

The peaceful "velvet" manner of Czechoslovakia's division into two independent states has been appreciated in the world. This, together with social peace and the revival of economic growth, gave rise to the "Czech miracle" illusion abroad. Let us have a closer look into this "miracle" and see whether it really was a miracle and why the present situation in the Czech Republic is viewed critically and pessimistically.

Between 1990 and 1992, the transformation of the Czech economy into a standard market economy took place under difficult conditions, namely:

- The break-up of close export-import relations between the former COMECON countries and relations with certain third world countries.

- The division of the former Czechoslovak federation into two independent states, with the former internal market being split into two markets with new foreign trade relations.

- The economic slowdown in a number of European Union countries (particularly in 1992 and 1993), with depression affecting the important economic partner countries in Eastern and South-eastern Europe, Asia and Africa.

An analysis of basic data (Table 1) reveals that the economic transformation also took the form of a territorial and structural change:

- The commodity and territorial structure of Czech foreign trade has been changing. The earlier predominance of trade with the COMECON countries has been replaced by the growth of trade with the EU countries; for example, by 1998, export to Germany increased from the earlier 8% to 38% of total exports. Between 1993 and 1998, total exports doubled. The firms which accounted for the biggest share in export growth were those privatised with the participation of foreign partners (joint ventures) who brought to the firms, apart from capital, also marketing and production know-how and improved management.

- The structure of trade has been changing, the export of produce with higher qualified work content has gradually grown and the export share of raw materials has declined.

- At the beginning, trade deficits were small but in 1995, when GDP grew 6.4%, they grew big, bringing about an extensive macroeconomic restriction. This negative development was due to the "Czech method" of privatisation, which was a quick privatisation "on credit", neglecting legislation. That made it possible to drain the privatised firms of their profits and property ("tunnelling"). During the so-called coupon privatisation and direct sale of firms to private persons (who took credits from banks to pay the market price or didn't pay the price at all) a hidden debt, the so-called "transformation debt", emerged, amounting probably to about a half of the annual state budget. The concealment of the failure of this part of the privatisation and the non-transparency of the financial policy caused a delay in rectification and growth in the *de facto* indebtedness of the banks because a considerable part of credits for privatisation is problematic or uncollectible.

In the 1996 election year, the behaviour of the government politicians was characterised not by the exposition of the growing problems, but by the concealment of blunders and populist pledges. After the elections, in which these politicians were elected again (rightist coalition), the central bank proceeded with restrictions on credit and increases of obligatory reserves and interest rates. In this environment, a number of smaller Czech banks went bankrupt and the Czech currency became an object of foreign monetary speculation. The hidden crisis processes became open ones and the Czech economy passed into recession.

A more pleasant fact of this economic recession was the improvement in consumer price inflation. A fall of inflation from 10% to 5% has been and is the main objective of central bank policy. In a number of enterprises and regions, falling inflation in 1999 brought about consequences reminiscent of deflationary shocks. Consumer prices rose by 2.2% only and net inflation (*i.e.* inflation excluding the inflation of consumer prices regulated by government until now) shows even a negative index of -0.4%. Interest rates followed inflation with a delay. Between 1997 and 1999, the government and central bank did not succeed in finding an optimally harmonised policy of "soft landing" and no mix of economic policies able to give a quick recovery was found.

Table 1. **Basic indicators of economic development, 1990-99**

Indicator	**Unit of measurement**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999 estimate**
Population	Thousands	10 304	10 309	10 322	10 331	10 333	10 321	10 309	10 300	10 290	10 280
(end of period)	*index (the same period of previous year=100)*	*100.0*	*100.0*	*100.1*	*100.1*	*100.0*	99.9	*99.9*	*99.9*	*99.9*	*99.9*
Gross domestic	Billion CZK constant prices 1995	1 449.4	1 281.1	1 274.5	1 275.3	1 303.6	1 381.1	1 433.9	1 438.5	1 405.0	1 400
product[a]	*Index (the same period of previous year=100)*		*88.4*	*99.5*	*100.1*	*102.2*	*105.9*	*103.8*	*100.3*	*97.7*	*99.5*
Employment[b]	Thousands	5 351	5 059	4 927	4 848	4 885	5 012	5 044	4 947	4 873	4 725
(annual average)	*Index (the same period of previous year=100)*	*99.1*	*94.5*	*97.4*	*98.4*	*100.8*	*102.6*	*100.7*	*98.1*	*98.5*	*97*
Productivity	Thousand CZK constant prices 1995	270.9	253.2	258.7	263.1	266.9	275.6	284.3	290.8	288.3	296
per worker[a]	*Index (the same period of previous year=100)*		*93.5*	*102.2*	*101.7*	*101.4*	*103.3*	*103.2*	*102.3*	*99.1*	*102.5*
Unemployment rate (annual average)	*%*	*0.8*	*2.6*	*3.1*	*3.0*	*3.3*	*3.0*	*3.1*	*4.4*	*6.0*	*8.5*
Consumer prices (annual average)	*Index (the same period of previous year=100)*	*109.7*	*156.6*	*111.1*	*120.8*	*110.0*	*109.1*	*108.8*	*108.5*	*110.7*	*102*
Average monthly	CZK	3 286	3 792	4 644	5 817	6 894	8 172	9 676	10 691	11 693	12 700
earnings	*Index (the same period of previous year=100)*	*103.7*	*115.4*	*122.5*	*125.3*	*118.5*	*118.5*	*118.4*	*110.5*	*109.4*	*108.5*
Real wages	*Index (the same period of previous year=100)*	*94.5*	*73.7*	*110.3*	*103.7*	*107.7*	*108.6*	*108.8*	*101.9*	*98.8*	*106*
Export	Billion CZK current prices	..	..	..	421.6	466.4	574.7	594.6	722.5	850.5	895
	Index (the same period of previous year=100)	..	..	..	..	*110.6*	*123.2*	*103.5*	*121.5*	*117.7*	*105*
Import	Billion CZK current prices	..	..	..	426.1	501.5	670.4	752.3	861.8	930.0	955
	Index (the same period of previous year=100)	..	..	..	..	*117.7*	*133.7*	*112.2*	*114.6*	*107.9*	*103*
Trade balance (surplus. Deficit)	Billion CZK current prices	..	..	..	-4.5	-35.1	-95.7	-157.7	-139.3	-79.5	-60
Tax share - single[c]	*%*	*x*	*x*	*x*	*25.5*	*24.0*	*23.6*	*22.6*	*21.7*	*21.4*	*22.5*
- composed[d]	*%*	*x*	*x*	*x*	*40.3*	*39.7*	*39.0*	*37.9*	*37.5*	*37.0*	..

a. Revision of time-series, in case of constant prices conversion to 1995 prices.
b. Including second jobs; excluding armed forces, women on maternity leave and apprentices.
c. Share of taxes and related payments in percentage of GDP.
d. Share of taxes and related payments of social and health insurance in percentage of GDP.

3. Employment structure

During six years of transformation, *i.e.* between 1991 and 1996, a big structural change in employment took place. Almost a half of all the employed changed their job and its content. About a half of all the registered unemployed (43%) who acquired a new job, did so with the assistance of the newly established labour offices (employment services). During the first years of transformation (1990-93) total employment fell by more than 10% but from 1994 it has been increasing. Employment in services (the third sector) grew rapidly and has now reached almost 55% of all workers, while employment in agriculture has dropped under 5%. In the majority of big enterprises, employment has registered a considerable fall, resulting in the emergence of a new sector of small firms and self-employed workers. All these changes took place in a situation of growth in the population of working age and a decline in the female economic activity rate.

Czech employment is characterised by a low flexibility of working time. Flexible working regimes are being applied sporadically. Within the employment of females, part-time work is just starting to assert itself more. So far, only 10-12% of females work less than 30 hours a week. On the other hand, the conditions of life of families continue to generate interest in secondary jobs and overtime. The activity rate, which had recorded a temporary decline, has grown again since 1994. However during the last two years of economic recession, employment declined, while the unemployment rate is approaching 10%.

4. How unemployment was kept low in the early transformation years

From 1990 to 1996, during the first period of transformation, the unemployment rate in the Czech Republic was relatively low at 3-4% (see Figure 1). A number of factors explain this:

- **Most significantly, the "small" privatisation preceded the "big" privatisation**. About 750 000 employees had left big firms one to two years before their privatisation started. By proceeding by stages and by social austerity of the unemployment benefit amount and duration, we avoided a larger voluntary (wait) unemployment. The strategy of active employment policy linked to the transformation of economy and social life was already formulated by 1990.

- **Social bargaining on active employment policy and problems of wages, unemployment, working time, etc.**, democratically based on negotiations between the social partners and government. In 1990, the Council of Economic and Social Agreement was established, consisting of seven ministers, seven representatives of the new employer organisations and seven representatives of the new, democratically elected trade unions. These representatives concluded annual general agreements serving as a framework for branch- and enterprise-level collective bargaining. A climate of social understanding and confidence emerged. Consequently, the socially difficult stage of transformation was implemented without disturbing strikes and demonstrations. This helped give the Czech Republic a good reputation, favouring foreign investment and advantageous credit terms.

- **Measures to reduce labour supply.** Two policies were introduced: the extension of maternity leave with social assistance (to three years and later to four years from the birth of a child) and early retirement (two years ahead of the legal age limit). Old-age pensions were raised in line with the cost of living index and low pensions were raised.

By these and other acts, the negative social consequences of transformation were relieved during its "critical" beginnings. Despite that, during 1991, the average real wage dropped by almost 27% (see Figure 2), and the average real old age pension by 21%, particularly due to the devaluation of the Czech currency. During the same period total employment fell by 6%, with an unemployment rate amounting to only 2.6%. At the same time, GDP declined by 11.5%, productivity per worker by 6.4% and hourly productivity by 4.3%. These outcomes were influenced by working time reduction through the extension of paid leave by one week (to three, four or five weeks), the introduction of ten paid days of public holiday, and the reduction of overtime work. These factors were effective also in 1992 and 1993.

- **Quick establishment of effectively functioning employment services.** New labour offices used positive foreign experience and introduced a modern system of job mediation and effective promotion of self-employment, etc. For the new employment services, able workers were found, who quickly mastered the professional standards of the work with the unemployed. The active policy of the labour offices has effectively contributed to the creation of new jobs.

- **Non-inflationary wage evolution** in the first years of the transformation. This was promoted by fiscal regulation of wage growth. Any quicker-than-agreed growth of average earnings was progressively taxed by a special tax paid to the state budget. This avoided an inflationary spiral from rising wage costs, and was reflected in the stability of the exchange rate and in the decline of inflation.

- **Vigorous devaluation of the Czech currency** at the beginning of 1990, which was more market-oriented than in other transformation countries. This caused a big reduction of the real wage, but at the same time, also a situation more favourable to economic growth and to the growth of exports to new, more sophisticated markets.

- **Considerable mobility of the labour force**. Without large subsidies, more than a quarter of the five million employed persons changed their workplace. Over 600 000 persons took the risk of becoming self-employed tradesmen and entrepreneurs.

- **A fall in the number of foreign workers** in the Czech Republic (from Vietnam, Poland, etc.) by 40 000, and a rise in the number of Czech workers abroad (particularly in Germany in Austria) by 50 000 (about 1%). (Later by 1997, however, the number of foreigners in the Czech Republic with a work permit or business permit rose to more than 200 000 and the number of Czech workers abroad fell to about 20 000.)

- **Over-employment in industry and agriculture was reduced**. This resulted in the transfer of people to the service industries, with a lower productivity level.

5. The public employment service and active employment policy

After the new democracy's birth in 1990, new labour offices were formed with a very strong orientation towards the promotion of job creation and effective job mediation. An active employment policy was preferred over an unemployment benefits policy. An employment promotion fund financed by both employees and employers was planned. Between 1991 and 1993, active employment policy helped half of the unemployed to enter a job rapidly.

Figure 1. **Unemployment rate, 1991-99**

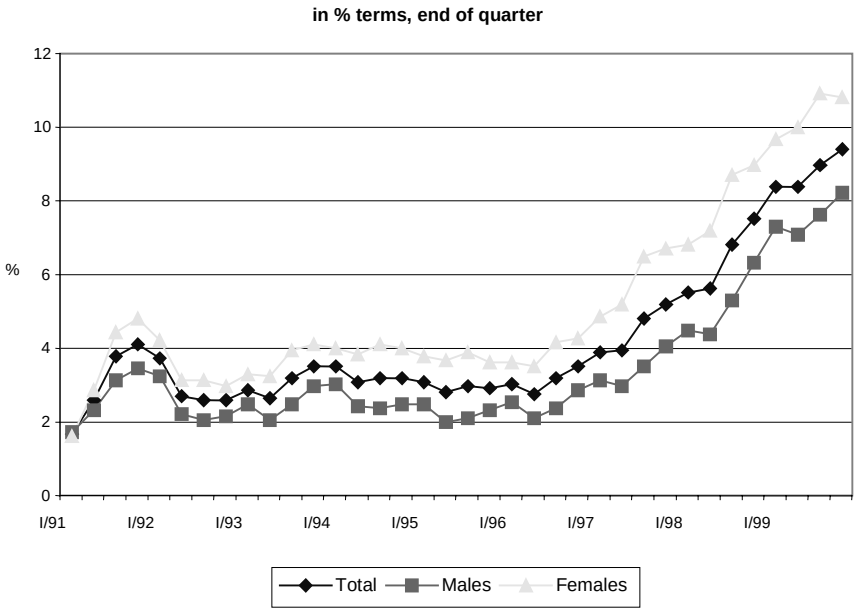
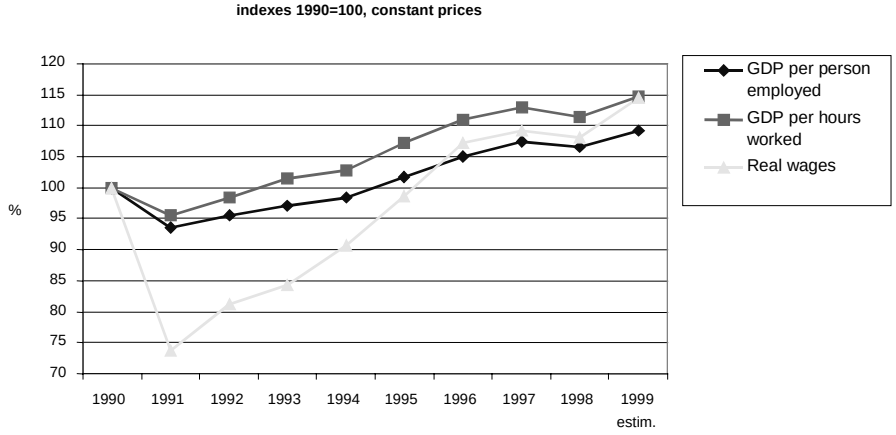


Figure 2. **Labour productivity and real wages, 1990-99**



In 1994 the application of active employment policy methods was dampened. Some influential "neo-liberal" politicians in the rightist conservative government were promoting, on the contrary, the ideology of the usefulness of a higher unemployment rate (the actual rate was 3.5% and 7-8% was regarded as the "natural" rate). The employment promotion fund was not established and the contributions of employees and employers continued to be a significant revenue item of the state budget.

Between 1995 and 1998, the intensity of the active employment policy methods declined. While at mid-1992 the active policy "employed" 2.12%, *i.e.* over 100 000 persons who would be unemployed and on the dole if it were not for this policy, at mid-1996 it "employed" only 0.58% of these potentially unemployed. In both periods the unemployment rate was almost the same

Table 2. **Jobseekers and active employment policy, 1991-2000**

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
						at mid-year					
Number of jobseekers		139 351	141 718	138 581	160 098	143 984	144 065	202 562	289 537	435 005	451 396
of which:	Jobseekers on benefit	86 877	68 470	62 616	72 197	62 536	63 990	96 758	131 878	181 412	157 794
	Jobseekers not on benefit	52 474	73 248	75 965	87 901	81 448	80 075	105 804	157 659	253 593	293 602
Percentage of jobseekers on benefit		*62.3*	*48.3*	*45.2*	*45.1*	*43.4*	*44.4*	*47.8*	*45.5*	*41.7*	*35.0*
Number in active employment programmes		11 957	111 162	110 682	70 239	46 441	30 606	23 133	23 070	37 962	55 943
of which:	In work "beneficial to the public"	6 789	15 874	7 720	8 348	7 479	7 280	6 855	8 481	11 753	15 816
	In "socially useful work"[a]	5 168	94 810	92 983	55 897	33 292	18 866	11 645	10 271	16 538	29 382
	In work experience jobs for school-leavers	x	x	9 451	5 614	5 298	4 075	4 248	3 817	9 182	9 694
	In jobs set aside for disabled people[b]	x	478	528	380	372	385	385	501	489	1 051
Unemployed plus active employment programmes, total		151 308	252 880	249 263	230 337	190 425	174 671	225 695	312 607	472 967	507 339
Labour force		5 359 654	5 248 815	5 269 240	5 164 452	5 197 978	5 250 182	5 102 317	5 160 156	5 184 537	5 212 702
Registered unemployment rate		*2.60*	*2.70*	*2.63*	*3.10*	*2.77*	*2.74*	*3.97*	*5.61*	*8.39*	*8.66*
Hypothetical unemployment rate[c]		*2.82*	*4.82*	*4.73*	*4.46*	*3.66*	*3.33*	*4.42*	*6.06*	*9.12*	*9.73*
Difference		*0.22*	*2.12*	*2.1*	*1.36*	*0.89*	*0.58*	*0.45*	*0.45*	*0.73*	*1.07*
						average of year					
Jobseekers in requalification		x	4 326	2 561	2 640	2 509	2 173	2 165	2 268	3 316	3 405

a. Including jobs as assistant jobs, work experience placements and jobs for young people.
b. Average of figures at 1 January and 30 June.
c. Assuming that people engaged in one of the forms of active employment policy would otherwise be unemployed.

(2.70, compared to 2.77%). The main difference lies in the fact that the unemployed person receives social benefits and does not contribute to social and health expenditure of the state, while the employed person receives a wage from which he or she pays taxes and contributes to social and health policies.

In 1992, expenditure on active employment policy amounted to CZK 1.72 billion and those on the passive one (unemployment benefits) CZK 1.42 billion. In l998, the active policy expenses amounted to CZK 0.9 billion and those on the passive one CZK 4.2 billion. At the same time, a growing proportion of the unemployed were ceasing to receive unemployment benefits and, as a rule, getting a higher social benefit up to the living minimum level. A contradiction arose between the rhetoric aimed against the state growing more "social", and the reality of the growing number of people being on various social benefits. A paradox is that the reduction of employment policy activities was not due to a lack of money. In 1998, the employment policy contributions of employees and employers exceeded CZK 18 billion while the expenditure on this policy amounted to CZK 5 billion only.

A positive Czech employment policy experience during the first transformation years was based on intensive concrete work with people and the preference for financial subvention of job creation over social benefit during unemployment. Tens of thousands of jobs were created in improving environmental conditions in communes, etc. The new sector of small and family farms was supported when it hired the unemployed. With the support of labour offices, work experience and assistant jobs were established for the young unemployed, enabling them to gain practical work experience and improve their position in the labour market. Table 2 gives an overview of the success and decline of active employment policy.

After 1993, this employment policy was forsaken and scaled back – for ideological rather than empirical reasons. Instead of the cultivation of this active policy, instead of its regional widening and improving, instead of more intensive orientation towards the problem social groups, the standpoint "let everybody do his best now!" prevailed.

6. Social expenditure

Sometimes it is stated that unemployment reflects the decline in competitiveness of a certain state or a community of states. This relation really exists and it can be measured and evaluated. In this respect, also a hypothesis arose, according to which the main cause of a state's reduced competitiveness is its social expenditure (*e.g.* measured by the "social quota", social expenditure as a proportion of GDP). This is supposed to be also the main cause of lower economic growth or productivity. These ideas follow from the neo-classicist hypothesis, which says that in a welfare state, social expenditure uses resources, which could be used more effectively for economic growth and employment (the allocation problem). If this growth were allowed to take place, the increase in wages and employment would reduce the need for social expenditure. There is some logic in this hypothesis.

The aforementioned hypothesis has been tested in various countries by a number of empirical surveys. Their results can be summarised as follows:

- The empirical surveys failed to separate the influence of the social orientation of state and social expenditure from the influence of a number of other factors on economic growth, productivity and employment. Thus we see in the real world the parallel existence of strong social states with 30-34% social quotas, with economic growth, high productivity and unemployment rates between 3.5% and 5% (Netherlands, Denmark,

Austria, etc.). Besides them there are states with a 30% social quota, but with 10% to 12% unemployment. In this connection, the long-term aspect needs to be mentioned, as economists often deduce long-term validity from short-term empirical studies. It is the most frequent methodological mistake, which is bigger the more such an empirical finding is asserted as "the only truth".

- However, more objective knowledge concerning the aforementioned hypothesis can be gained by empirical surveys on the level of big companies. Here we are concerned with social expenditure representing the difference between the direct wage costs and total costs of labour. High social costs can weaken the firm's competitiveness, if, compared to other firms, all other competitiveness factors are the same. Empirical studies made in certain countries (*e.g.* in Sweden) confirm the above-mentioned hypothesis. However, other empirical studies observe also quite a different factor: high social security, particularly in case of unemployment, enables the manager to take more risky decisions on further development of the firm. Success in risky decision-making will raise the firms' competitiveness and bring benefit to all employees. Failure may result in the unemployment of a proportion of employees, who are, however, well socially secured. The managers have thus a better social climate for risky decision-making.

The above mentioned makes evident the complexity of the unemployment problem, of its prevention and consequences, which must be subjected to simultaneous analysis during social bargaining.

7. Unemployment and exclusion

At a basic analytic level it is necessary to solve the unemployment problem with the deep knowledge of the following:

- What must be given to the unemployed, *i.e.* the financial costs of social security of the unemployed?

- The economic loss due to unemployment.

- What is being changed in people by unemployment, *i.e.* the knowledge of the unemployed as personalities and how the unemployed are becoming excluded from social structures.

"Exclusion" from society in connection with and in consequence of exclusion from the labour market, or not being offered an opportunity to enter this market (youth), became at the end of the last century a problem such as "exploitation" was at its beginning (see Figures 3 and 4). In certain countries with high and long-term unemployment, particularly of the young, outbursts of social dissatisfaction occur which are comparable to the social strife, which occurred at the beginning of the century. Instead of social bargaining, manifestations of disbelief in the democratic system, demonstrations and strife in the streets are intensifying, with criminality growing. Fortunately in most OECD countries, industrial conflict for which we have statistics was much lower in the 1990s than in the previous two decades.

In the Czech Republic, some similar negative phenomena are becoming a part of everyday life. Instead of the previous fear of the manifestations of the former totalitarian regime (curtailment of human rights and freedoms), today people feel more alone. The fear of unemployment affects not only relations among people, it becomes even a motive for suicides. Distrust of politicians grows, as do the

distrust and apprehensions of what the membership in the European Union will bring to the "little man".

Active employment policy has not been developed to meet the new conditions. In labour offices, time for work with the unemployed is lacking, since the number of their employees was reduced several years ago and their working and time capacities correspond to an unemployment rate of about 3% and not to the present 9% rate. The former quality content of employment services (work with the young, with employers, communes, etc.) is reduced today. There are no qualified people to work with the unemployed people!

Figure 3. **Unemployment rate by age groups, 1993 and 1998**

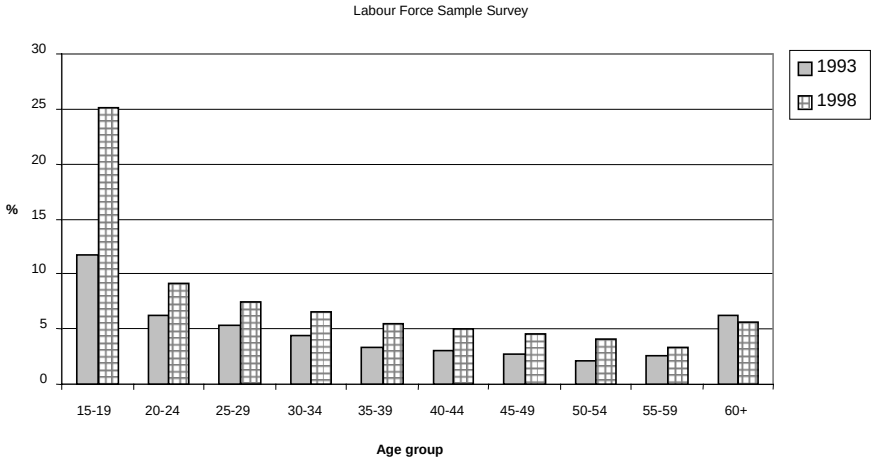
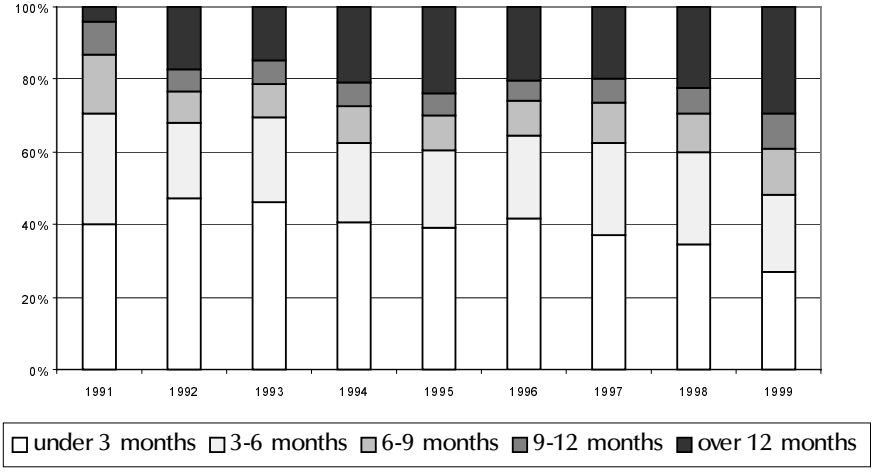


Figure 4. **Unemployment structure by the duration of registered unemployment, 1991-98**



From 1995, a computer system has been in operation in the Czech Republic. This system has employed newly over 3 000 workers who are checking the accuracy of the data registered in requests for various kinds of social assistance benefits. A large proportion of benefit payments is related to households' incomes in relation to subsistence level. After several years of routine operation this system shows, among others, the following negative effects:

- Applicants acquainted with this complicated system are presenting their earned incomes in a manner assuring the maintenance of social assistance.

- Applicants who are not acquainted with the system well enough do not request social assistance in spite of the fact that they are entitled to it. They are poorer than the social system should allow them to be.

In this reflection on the relation between social benefits and work motivation, we are thinking of those social groups of our citizens who have lost jobs and are unable to acquire them by themselves, and whose jobs are paid so miserably that they cannot lift themselves markedly above the legal subsistence level. We are concerned with the problem of how to change their economically disadvantaged situation to that of people satisfied with the money they earn, or how to change them into people who earn money. How then can we make work pay in their case? The social dimension of this problem consists in making the exclusion of these fellow-citizens, if it is necessary at all, a short episode of their life, sparing no effort to enhance their professional and qualification level, and not a long period of social frustration.

A specific Czech problem is that the aforementioned problem concerns today a very numerous group of people for whom the transformation has been a loss-making venture, while a narrow closed circle of people has gained colossal riches in an unbelievably short time. Czech "real socialism" involved the greatest levelling of wages and incomes in comparison with other socialist countries. This flat distribution of incomes (statistics do not offer an accurate picture, but approximate data for wage incomes only are available) has opened up severely. Nobody had minded this differentiation of incomes as long as there were prospects for a favourable evolution. However, the crisis phenomena occurring from 1997 to 1999 and their unfavourable impact on the standard of living of people with low incomes led to a "loss of illusions". During 1999, more than 100 000 employees (2%) in the Czech Republic were not even getting a regular wage, nor unemployment benefits or other social benefits. Social tension has increased, entailing also the rise in election preferences for the Communist Party.

8. Incentives

The expenditure of the Czech "social" state is in comparison with the member countries of the European Union and OECD lower, or analogous.

The economic and social transformation from the totalitarian "socialist" regime to democracy and a market economy is not feasible without specific social costs, which make social protection necessary. The data shown in Table 3 indicate that the costs of the social system itself have not increased while the health care system costs have risen markedly. The problem of the effectiveness of social protection in the Czech Republic is the problem of the number of the recipients of benefits and of the tempo of deregulation of prices (prices of power, gas and water supply and rents of flats etc.), which leads to new types of social benefits and increases non-transparency and bureaucratic character of the whole system.

Table 3. **Social and health system expenditure, 1990-98**

	% GDP			% Total expenditure		
	1990	1994	1998	1990	1994	1998
Social and health protection system – Total	**17.93**	**19.96**	**20.21**	**100.00**	**100.00**	**100.00**
A. Social security system expenditure	***13.14***	***12.65***	***13.08***	***73.24***	***63.38***	***64.73***
Total transfers	8.71	8.83	10.18	48.55	44.27	50.39
– pensions	7.27	7.25	8.89	40.54	36.33	43.97
– sickness and maternity benefits	1.44	1.37	1.02	8.01	6.85	5.04
– unemployment and employment policy expenditures	0.00	0.22	0.28	0.00	1.09	1.39
Family allowances (state social assistance scheme)	2.08	1.53	1.72	11.60	7.66	8.52
Social care benefit and social services scheme	0.91	0.97	0.76	5.10	4.89	3.75
Others	1.37	0.92	0.06	7.64	4.61	0.30
Administration system expenditure	0.06	0.39	0.36	0.35	1.96	1.76
B. Health care system expenditure	***4.80***	***7.31***	***7.13***	***26.76***	***36.62***	***35.27***

During the transformation period the Czech Republic implemented a relatively strict social policy and during the recession this strictness increased to the level threatening social peace. The strictness of social policy and its social cost is clearly evident from a comparison with the unification of Germany. Social expenditure as a proportion of GDP in the "new *länder*" (former GDR) between 1991 and 1993 exceeded 60% and during the following years up to 1998 it exceeded 50%! For more detailed information related to key social indicators in the Czech Republic see Table 4.

The Czech system of social assistance in the period of transformation and deregulation of housing and energy prices for households includes also several other social benefits, such as housing and transport benefits, etc., which are mostly dependent on a means test (the subsistence level qualification). Altogether, the state social assistance system pays out monthly approximately from 3.2 to 3.5 million benefits. Unemployment benefits are paid to between 42% and 44% of the registered (unemployed) jobseekers.

The real purchasing power of the above mentioned social indicators (Table 4) shows the problem of living conditions in the Czech Republic more concretely than do the known macro-indicators. Even despite the low level of various social indicators – compared to the developed

countries – there exist opportunities, particularly for low-paid workers, to prefer social benefits to low earnings, or still more often to be on social benefits and to supplement them with occasional earnings in the "grey economy". And, as well, to work only up to the earnings level at which it is still allowed to receive social benefits. For families with more than four children, it is more advantageous to be unemployed and receive social benefits than to work for the average wage. The OECD (see 1998*a*, 1998*b*) has already drawn attention to these facts.

Table 4. **Key social indicators, 1999**

	CZK	In USD purchasing power parity[a]
1. Gross average wage (monthly)	13 000	1 000
2. Minimum wage (monthly)	3 600	277
Gross wage ratio	27.7%	
3. Subsistence level (monthly)		
– individuals	3 430	264
– couples (without children)	5 960	458
– couples (with two children aged 10-15)	10 470	805
4. Family allowances (monthly)	0-720	0-55
5. Unemployment benefit level		
– in % of the preceding net wage	40-60%	
– upper limit (monthly)	8 575	660
(50% first three months, then 40% up to total of six months, during requalification 60% of wage)		

a. Purchasing power parities calculated at USD 1 = CZK 13 [based on a bank exchange rate of USD 1 = CZK 35 and an exchange rate difference index (ERDI) of 2.65].

In 1995 we found out through empirical surveys that at the minimal wage, representing 23% of the average wage, that is at wage tariffs slightly above the official minimum wage, there exists an incentive for recurring unemployment. It is more advantageous to be six months unemployed, then to be several years employed, then to manage to be dismissed for reasons which do not preclude the payment of social benefits. Recurring unemployment also has even "social motives", the liquidation of the firm is not the only factor.

Empirical surveys and international comparisons have shown that minimal wages and low wage tariffs are optimal at the level of 40% of the average wage, *i.e.* CZK 5 200 (USD 400) per month. The increases of the minimum wage and low wage tariffs that are being implemented gradually by the present government are thus steps on the right way.

A more questionable suggestion is to reduce the subsistence level, for example by decreasing the amount for sustenance and personal needs for the third and further children. This would be a politically questionable step since it would decrease the subsistence level for numerous families of an ethnic minority. The social problem of numerous Roma families is very acute today already: its mitigation must be achieved by offering employment, which is even discriminatorily low at present.

A measure of a certain significance for enhancing the motivation of the unemployed and low-paid persons is a modification of income tax which would make work pay for these persons by increasing their net wage. In the Czech taxation system, the unemployed person does not pay income tax (on unemployment benefits) and labour offices pay health insurance on their behalf. The unemployed person is not a source of contributions to social insurance (for old-age and other pensions). The decline in unemployment will thus lead to increased revenue in the state budget and savings in unemployment benefits. Income tax paid by employees with low wages is very low. The tax-free part of income has grown in the recent years, and the tax rate in the first tax band is low. A change, a further decrease of tax at the bottom of the range, however, would have a flat character, *i.e.* it would decrease income tax of all tax-payers.

9. Priorities for economic revitalisation

During the last two years of economic decline, unemployment almost tripled compared to the former standard level. At the same time the legal and particularly illegal economic activity of foreigners increased. As well as the cyclical problem, a great structural and regional unemployment problem emerged. The administration of employment policy and its more concrete sphere – the active employment policy in regions has not been prepared for the conditions of economic decline not only in respect to personnel but also in respect to new methods of employment services. The slight revival in GDP since 1993 has been unevenly distributed. Exports have grown but private consumption has not. As unemployment grew (from 5.6% in the year 1998 to 8.6% in the year 2000, see Table 2) the social incomes of households grow more quickly than earned incomes.

In 1999 the government declared the National Employment Plan, priorities and urgent plans to reduce unemployment growth, programs of assistance to two big crisis-stricken regions, etc. The evaluation of concrete results of these plans will be possible in due course.

Basic data on registered unemployment and vacancies show a rather pessimistic situation with 14 unemployed persons for each vacancy and in the crisis regions even 80 unemployed persons. The analysis of unemployment flow (changes in registered unemployment) shows, however, that through the mediation of labour offices 430 000 people were employed in 1999, *i.e.* the highest figure since 1990. We have also found out that the reporting of vacancies to labour offices has declined very markedly. There exists a significant scope for an active employment policy, if:

- More perfect methods of active employment policy are used.
- Social assistance is not granted to those who had refused a suitable job (in the wording of the Employment Law).
- The increased sum earmarked for employment promotion is used to create market jobs.

From the standpoint of economic growth it is necessary to set anew the employment priorities for the people most threatened by unemployment. The restoration of economic growth will renew employment growth. In our conditions of “Wild West” this must not mean the growth of

employment of foreign workers from the "East", but, on the contrary a marked reduction of their illegal status and a more strict observance of legal conditions for working permits. For the restoration of economic growth and for new employment, from the point of view of the mobility of workers and to increase their work qualification and motivation it is necessary to set the following priorities:

- *Quick reduction of youth unemployment*. Towards this end, above all those who have no experience of practice and conditions in the "world of work" should enter jobs in which they gain their first work experience. A lack of experience is the main argument of employers who do not want to employ young people. The present unemployment of 500 000 people includes 70 000 new school leavers from training institutions and schools. Unemployment of young people up to 25 years of age as a whole represents more than 30% of total unemployment. In 1999, only 11 000 jobs where work practice and new qualifications can be gained were created, and they are not equipped with experienced and suitable "trainers" and "coaches". This is so in spite of the fact that unemployment of the young is expensive (social benefit), costing more than half as much as work practice jobs.

- *More active supply of advantages for business activities and job creation in the crisis regions*. Regional supply should be improved for example by the results of labour market studies, and training, which will improve the match between jobseekers qualifications and the requirements of employers.

- *Training for females on maternity leave* (three to four years). To broaden the distance training and consultancy services and to broaden the orientation of these services to include offering perspective knowledge and experience.

- *Promotion of self-employment and help with setting up small firms within firms that are being restructured* to broaden the publicly useful jobs and job creation programmes for the unemployed.

- For the above priorities and other urgent tasks, there is a need *to raise the quality of staffing of public employment services* and reinforce the activities of these services by establishing informal regional institutions for employment promotion.

In real life, the conflicts between employment policy and social policy are being renewed unceasingly in new forms and social situations. Their resolution is, therefore, a permanent task. The public employment services must become a more active factor promoting employment, not a passive receiver of people sacrificed by economic failure.

BIBLIOGRAPHY

HORÁLEK, M. *et al.* (1997), *Economic and Social Transformation and Regional Labour Markets in the Czech Republic between 1990 and 1997*, Final Report RILSA, No. 10, Research Institute of Labour and Social Affairs, Prague.

KUX, J. and HORÁLEK, M. (1999), *Main Economic and Social Indicators in the Czech Republic 1999*, Bulletin RILSA, No. 13, Research Institute of Labour and Social Affairs, Prague.

OECD (1995), *Review of the Labour Market in the Czech Republic*, Paris.

OECD (1998*a*), *Economic Survey of the Czech Republic 1997–1998*, Paris.

OECD (1998*b*), *The Battle against Exclusion: Social Assistance in Belgium, the Czech Republic, the Netherlands and Norway*, Paris.

OECD (2000), *Economic Survey of the Czech Republic 1999–2000*, Paris.

ELIGIBILITY CRITERIA FOR UNEMPLOYMENT BENEFITS

David Grubb[1]
Principal Administrator, Employment Analysis and Policies Division, OECD

1. Introduction

Scant attention in economic theory has traditionally been devoted to the labour market eligibility criteria for unemployment benefits. Instead, most analysis has focused on the level and duration of benefit payments. In general, economic models interpret benefits as a subsidy paid conditional on a state of non-employment or of unemployment, and predict that benefits will increase the quantity of non-employment or unemployment.[2]

Real-world systems in principle only pay benefit to people who meet *both* entitlement and eligibility conditions. "Entitlement" conditions restrict benefits to people who either, in the case of fixed-duration unemployment insurance (UI) benefits, have a sufficient record of contributions from work or an assimilated status and have been unemployed for a limited duration or, in the case of assistance-type unemployment benefits, have low total income. "Eligibility" conditions, on the other hand, restrict unemployment benefit to people who:

- Are unemployed roughly in the sense of the ILO definition of unemployment, *i.e.* not only out of work, but also able to enter work at short notice and undertaking active steps to find work.

- Meet administrative requirements, such as applying for the benefit with the necessary documentation, and attending interviews with employment counsellors and applying for vacancies as directed by the Public Employment Service (PES).

This paper considers only the impact of *eligibility* conditions on unemployment. A first section considers how eligibility conditions in theory affect the level of unemployment. Four following sections describe some of the main eligibility criteria as laid out in legislation, summarise provisions for benefit sanctions, present statistics on the actual incidence of benefit sanctions and consider the problem of constructing a general indicator or ranking for the stance of benefit eligibility criteria in different countries. Further sections summarise some empirical evaluations of the impact of eligibility criteria and describe organisational issues in the implementation of eligibility criteria.

2. Theoretically expected effects from benefit eligibility conditions

Benefit systems have various aims and effects: insurance-type unemployment benefits provide insurance and improve equity in the face of unpredictable job loss; assistance-type benefits

are, for adults of working age, often the main component in a minimum income system which reduces the incidence of severe poverty; in either case, benefits may support job search and improve the quality of job matches. Eligibility criteria will influence such objectives as the insurance principle, poverty and the quality of job matches. Nevertheless, this paper focuses mainly on them as a device for offsetting disincentive effects and reducing unemployment.

The enforcement of eligibility criteria may have a larger impact on behaviour than variations in replacement rates and effective marginal tax rates do, because the income implications for the individual are larger: when a person is found to be ineligible for unemployment benefits, his or her replacement rate falls to zero. For most unemployed with benefits, the eligibility criteria approximate roughly to a legal requirement that, if the person is able to enter work, he or she must do so. Enforcement of such a requirement will have a greater impact than any marginal adjustment to the financial incentives to enter work. For a more detailed theoretical analysis, however, it is useful to view the impact of benefit eligibility conditions on unemployment as the sum of several distinct "effects", called here the "exclusion", "behavioural", "disutility" and "entry" effects.

"Exclusion" effects arise due to the fact that certain situations which are, in principle, beyond the control of the person (within the current spell of worklessness) are declared ineligible for benefit. When the person is clearly unable to work, benefit ineligibility has no obvious incentive impact. Often (*e.g.* in cases of sickness and disability) the people concerned are able to transfer to a more appropriate benefit. In other cases (*e.g.* people with caring responsibilities), exclusion from benefit may result in a net income loss for the people concerned and a net saving for the public purse. In other cases, eligibility conditions exclude from benefit groups of people who have some non-zero chance of entering work (*e.g.* people with a contract to resume a seasonal job later in the year or people over the standard retirement age). Exclusion of these people reduces the likely disincentive impact of the benefit system simply because overall benefit coverage is reduced. Exclusion clauses may target groups of people whose behaviour is thought to be particularly sensitive to benefit disincentives, but this is not the only principle followed.[3]

Eligibility is also conditional on behaviour that is supposed to increase the chance of finding work. For example, benefit is restricted to people who are available to start work at short notice, who provide proof of their independent job search (*e.g.* job applications), who do not too easily reject job offers on grounds of wages, working hours, places of work and occupation, and who attend interviews and training courses as required by the PES. These behavioural requirements could affect unemployment in three ways, *via*:

- A direct "behavioural" effect. The specific behaviour that is encouraged, such as being ready to start work at short notice, directly increases the chance of finding work.

- A "disutility effect". Compliance with the behavioural requirements involves some disutility. This in itself encourages a more intense search for work.

- An "entry" effect. If the behavioural requirements are onerous (if the disutility effect is sufficiently large), some people will opt to drop their benefit claim rather than comply with the requirements.

Some theoretical predictions can be made about the size of these three effects:

- Starting from an initial situation where unemployment benefit is paid with no behavioural requirement and individuals are choosing a level of job search that maximises expected utility, a small increase in job-search intensity (as compared to the

utility-maximising point) involves only a second-order reduction in disutility. A mild job-search requirement may, therefore, have a moderately significant "behavioural" effect but small "disutility" and "entry" effects. Only in the case of relatively onerous job-search obligations are disutility and entry effects expected to become significant.

- An administrative requirement that the unemployed must search for work as intensively as they would have in the absence of benefits has no "entry" effect. This is because a person who drops a claim so as to avoid requirements will search as intensively as he or she would have done in the absence of an entitlement to benefit. Compliance with the search requirement will always be a preferable strategy.

- It follows that benefits can, without provoking abandonment of benefit claims, be made conditional upon an intensity of job search *higher* than the individual would undertake in the absence of a benefit entitlement. So, under fairly general assumptions, benefit systems can be designed so as to generate unemployment levels below those that arise under "laissez-faire" (the absence of a benefit system).

The last theoretical prediction applies to a range of behavioural requirements. In the case of a requirement to accept a suitable job, suppose unemployed people receive a succession of job offers at different wage levels and reject those which pay wages below their "reservation wage" (Wr). The payment of benefit raises the reservation wage and, thus, increases the expected duration of unemployment spells. If now the PES observes the arrival of job offers and imposes strong sanctions (*e.g.* lifetime exclusion from the benefit system) when an offer paying a wage above some suitable level (Ws) is rejected, Ws can be set below the level Wr that unemployed people would choose in the absence of any benefit system. Unemployment spell durations are, therefore, lower than under laissez-faire (Ljungqvist and Sargent, 1995).

Alternatively, the PES might monitor only the frequency of job applications, leaving the unemployed person free to choose whether to accept or reject any actual job offer that results. In this case, the availability of the unemployment benefit raises Wr. However, if job-search requirements are so constraining that the disutility of unemployment with benefits is almost as great as the disutility of unemployment without benefits, the benefit system will cause a marginal increase in Wr, but a substantial increase in search intensity. Here too, unemployment spell durations can be made lower than under laissez-faire. Contrasting this model with the previous one, it may be noted that, in terms of the direct "behavioural" effect, a strict job-search requirement does "make work pay" by bringing the unemployed into contact with adequate jobs more frequently, but a strict "suitable work" requirement forces the unemployed to accept lower-paid jobs.

Another example of a "behavioural" requirement would be the requirement to attend PES training courses. In each case, benefits lose their passive character and become a "wage" paid to the unemployed in return for undertaking additional job search (or for standing ready to enter work sooner, or for participating in training, etc.). In simple models where the behavioural requirements are assumed to be effective and the PES accurately observes job-search behaviour, benefit disincentive effects can be counteracted and potentially reversed. However, the limitations of such simple models should be kept in mind.[4]

To the extent that public consumption is financed by taxes on wages, the incentive to re-enter work may be socially suboptimal even at a zero level of benefit. A positive level of benefit, paid conditional on strict behavioural requirements, may then increase efficiency as well as social welfare. From this point of view a "welfare state" strategy, with high levels of public spending and high unemployment benefits subject to strong behavioural requirements, is a coherent whole, as long as it

does in fact reduce unemployment. However the preconditions for such a theoretical result to hold may be rather stringent and difficult to maintain in practice.

3. A brief survey of eligibility criteria

A detailed reading of benefit legislation[5] reveals great cross-country variation in some of the eligibility requirements. The definitions of *loss of work* and *availability for work* involve issues such as: Are seasonal and intermittent workers allowed to draw unemployment benefit during slack months even if there is little prospect of placing them? Are people allowed to draw unemployment benefit if they are spending much of their time on unpaid household production (*e.g.* agriculture, home improvement)? Should people whose availability for work appears to be restricted (*e.g.* with child-care responsibilities or intensive involvement in voluntary work) be disqualified from receiving unemployment benefit? If such people are not disqualified, should normal eligibility requirements (*e.g.* that the person should be able to start full-time work at short notice) be relaxed for them, or should these requirements be maintained with strengthened monitoring to ensure compliance?

Some features of legislation can be interpreted as attempts at limiting benefit payment to people who are effectively available for the types of work that are actually on offer. For example, workers may be allowed to restrict their availability for work in some way (*e.g.* by occupation or by geographical location) only on condition that "sufficient" numbers of jobs are still available.

In general, a lax definition of availability for work results in people who might otherwise report that they are out of the labour force being registered as unemployed. Depending on the magnitude of this impact, it could exhaust the energies of the placement service (*e.g.* its reputation with employers is undermined when such people are referred to vacant jobs). However, too strict a definition will exclude some individuals who are genuinely unemployed.

In many countries, more than half of all unemployment benefit sanctions arise because the person was dismissed for misconduct or quit the previous job. All countries recognise that serious misbehaviour by the employer can justify a quit. In Spain, quits for any personal reason lead to loss of the entire benefit entitlement and in Japan, the only personal reason that can justify quit from a job is a decline of physical ability to do the work. But most other countries recognise a number of personal reasons why a quit which appears to be voluntary from the point of view of the employer may be involuntary from the point of view of the individual. Criteria for quitting a job – if, for example, a change in transport facilities has made the journey to work unacceptably long, or the person needs to change jobs in order to permit care for relatives – are often similar to those which justify refusal of a job offer, although they tend to be stricter in certain details. In many countries, moving home with a spouse who is taking up work in a different area can justify quitting a job. In order to reduce the risk that job changers and unemployed people who take a job and, then find that it does not suit them, will be penalised, two countries guarantee that quits during a trial period in a new job in some specific circumstances will not be sanctioned.

In defining *suitable work*, Norway is a model of all-round strictness: the unemployed must generally accept shift and night work, must be prepared to work anywhere in Norway (and a spouse who quits his or her job to avoid separation of the couple and then claims benefit will be penalised for a voluntary quit), must be ready to accept any job they can do without reference to their previous occupation or wage level, and cannot refuse a job on religious or ethical grounds (albeit that administrative discretion may be invoked in such cases).

The geographical mobility requirement was a significant component in the Nordic model of active labour policy in the 1960s, but it encountered resistance not only from the unemployed themselves, but also from politicians in rural or depressed areas who saw it as removing the most employable people from the local population. In most other countries, even if there is some requirement for geographic mobility in principle, the wording of legislation and guidelines on the question is vague or contorted: for most unemployed the risk of being offered a job at the other end of the country is probably negligible. The question of travel-to-work time is more relevant. But the mildest requirement is for acceptance of placements involving two hours' travel daily (in the Netherlands and the United Kingdom) and it is doubtful whether the strictest countries, which require four hours travel daily (Belgium and Switzerland), achieve many stable placements involving such a long commute.

Occupational protection (*i.e.* allowing unemployed people to refuse a job offer that involves a change of occupation) is quite common, but this principle usually applies only to the first few months of unemployment. In France and Spain, it applies in general terms to both insurance and assistance forms of unemployment benefit, although in France its interpretation becomes more flexible as the duration of unemployment increases. In Austria, it applies for the whole duration of the insurance benefit, which is however relatively short.[6] In Denmark, a progressive reduction in the duration of occupational protection for the unemployed (from 18 months in 1989 to 3 months in 1999) has been a significant component of a wider package of reforms which has been credited for much of the fall in unemployment since 1994 (MoL, 1999).

Suitable work criteria are, with some exceptions (see below), enforced only to the extent that the PES directly refers unemployed people to specific vacancies. If the PES fills vacancies only by advertising, then referrals to vacancies occur only at the initiative of the jobseeker, who can choose to apply for vacant jobs or ignore them according to his or her own ideas of what is suitable, so that the suitable-work criteria embodied in legislation become more or less irrelevant. However, techniques of direct referral of jobseekers to vacancies chosen for them by the PES, with feedback from the employer, are used to a significant extent in at least one-half of OECD countries (see *Main Characteristics and New Challenges* in the introduction to this volume).

In most countries, legislation creates a general obligation to accept placements into official or approved *labour market programmes*. Job-creation programmes may, therefore, not need to conform to usual "suitable work" criteria.[7] In Belgium and France, general legislation refers only to vocational training, so job-creation programmes need to conform to regular "suitable work" criteria (or be backed by specific legislation) if participation is to be obligatory. In Canada, the UI Act states explicitly that no claimant can be disentitled for refusing employment on a job creation project.

Requirements for *independent job search* vary especially sharply, with some countries (*e.g.* Belgium, the Czech Republic and Spain) having no general requirement in principle,[8] and others (Australia, the Netherlands, Switzerland, the United Kingdom and the United States) specifying that individuals must report their job search in some detail and achieve a minimum frequency (which is often determined by the PES according to individual and local labour market circumstances) of job applications or assimilated acts of job search. In the latter case, the surveillance of independent job search can be the most important intervention by the PES to "activate" the unemployed. This is particularly clear in the United States, where the unemployed in most states have to make two or more job applications every week, but rarely have more than one or two other contacts with the PES (*e.g.* intensive interviews, action plans, attendance at a job-search seminar, etc.) during a six-month benefit spell.[9] In France, there is a principle of permanent job search and although a minimum frequency of job applications is not specified, documentation must be kept and intensive reviews of job search, at intervals of four months or more, are a prime instrument in the verification of eligibility.

Monitoring of independent job search may play some role in implementing the "suitable work" criteria for benefit. Guidelines in Australia, in particular, suggest that the PES (the public body Centrelink, in the current context of privatised placement services) should disregard applications for types of work that the unemployed person has little chance of obtaining. This obliges unemployed people to apply for a range of jobs within limits that are defined by the "suitable work" criteria. Some employment offices in Switzerland also monitor the "quality" of independent job applications reported by the unemployed as well as their quantity (OFDE, 1999*a*).

Legislation in relation to *contacts with the PES* generally gives the PES broad powers to require the claimant to provide relevant documents and information, participate in assessments, attend interviews and collective information sessions, etc. Swiss legislation provides for sanctions for refusal to follow instructions from the labour office, although it is not clear how broadly this could be interpreted. In some other countries, general clauses in legislation requiring beneficiaries to co-operate with the employment office (the Czech Republic) or not act in any way that gives the PES an impression of not being fully available for work (Denmark and Norway) might be invoked to sanction an unemployed person who rejects reasonable suggestions. But there is little evidence that these general clauses are actually invoked as the basis for benefit sanctions.[10]

The United Kingdom has tightened benefit eligibility conditions in various ways since the mid-1980s (see below). In 1996, a specific requirement for compliance with (reasonable) written instructions from a PES officer, the Jobseeker's Direction, was introduced. The general "authority" of PES staff in their dealings with the unemployed was fairly widely established by 1997, although the Jobseeker's Direction was only one of the factors involved.[11]

A systematic *variation of requirements* often applies to older workers (this means workers above an age limit which is often in the range 55 to 60), sometimes only if the person is also long-term unemployed. Some countries drop availability for work criteria entirely for older workers. New Zealand maintains these requirements in principle but drops specific requirements that might lead to a sanction. In some countries, specific criteria are relaxed, *e.g.* older workers are only required to accept part-time work, not full-time work. Youth under age 25, on the other hand, often face additional requirements for participation in labour market programmes. In some cases these appear in benefit legislation, *e.g.* Finland has removed any entitlement to passive benefit for youth without a vocational qualification, subject to the person being offered a suitable programme place. People with defined child care responsibilities are in the United Kingdom and New Zealand only required to accept part-time work, and in several countries the permissible delay before taking up work is increased for them, so as to allow more time to arrange alternative child care.

4. An overview of sanction provisions and statistics

Sanction provisions

Most national legislation uses a concept such as a benefit "sanction", which may also be called a "deferment" or a temporary or permanent "stop" or "exclusion". However "sanctions", as defined in legislation by any such words, may still apply only to a limited range of situations. Other situations may lead instead to a decision that the person is ineligible for benefit. For example, a person who has refused work is normally sanctioned, but a person who freely announces that he or she is no longer able or willing to work is not sanctioned, but, nevertheless, becomes ineligible for benefit. Inevitably, certain situations will be treated differently in different countries. National definitions of "sanction" do not have comparable coverage, and broad coverage may not imply strictness since the

alternative treatment, *i.e.* a benefit stop on general eligibility grounds, may have more severe consequences for the person concerned than a sanction would do.

In most cases, temporary benefit stops imply loss of the corresponding benefit entitlement, but in Japan the UI entitlement is only postponed. In the case of decisions initiated by the placement service, France has a two-stage sanction system: the placement service strikes the jobseeker off its register for a defined period, resulting in suspension of benefit payment without loss of total entitlement, and state authorities then take a separate decision concerning loss of benefit entitlement. If this loss of entitlement is pronounced it should, according to current guidelines, cover at least the time that the person is struck off the jobseeker register.

Table 1 compares the duration of benefit sanctions or other benefit stops across countries for the situations which are most often handled through fixed-duration benefit stops or reductions, *i.e.* voluntary quit and refusal of work. In eight countries, the sanction for voluntary quit is the same as the sanction for a first refusal of a job, but in Denmark, Finland, Japan and New Zealand the former is more severe.

There are very sharp variations in the duration of sanctions for a first refusal of suitable work, ranging from one week in Denmark and four to five weeks in Australia and Japan, two or three months in many other countries, to six months or more in Belgium and exclusion in Spain. A typical or median duration of sanctions for a first refusal of a suitable job (two to three months) appears to be less than the likely cost of the refusal in terms of additional benefit payments as a consequence of the refusal (if no sanction were applied): it is perhaps half the expected duration of a new benefit spell and a quarter of the expected further duration of unemployment for a longer-term unemployed person.[12] The reasoning behind the mild sanction for a first refusal in Denmark (a benefit stop of one week) may be that this facilitates the application of sanctions. Conversely, the strictness of the sanction in Belgium (a benefit stop of 26-52 weeks) helps explain the very low actual incidence of sanctions for refusal of work in that country.

About half the countries shown positively require exclusion of a person who repeatedly refuses (typically, within a one or two-year period, or within a given benefit entitlement period) suitable work. In Australia, New Zealand and the United Kingdom, benefit entitlements are of unlimited duration, so exclusion would not make much sense. In many cases, "exclusion" means that the person's UI contribution record is wiped out and has to be earned again through work before any new benefit claim. However, Denmark and Finland have specific provisions allowing readmission to the benefit system after ten weeks and three months of work, respectively. In some cases, repeated refusal of work leads to an indefinite suspension of benefit on eligibility grounds (*i.e.* it is interpreted as evidence that the person is not available) which may be reversible if and when the person provides better or renewed evidence of availability.

In Finland (for those on wage-related benefits) and the United Kingdom, repeated refusals of an active labour market programme (ALMP) placement attract a relatively light sanction. But in Denmark, although a first refusal of a suitable job leads only to a one week sanction, a first refusal of an ALMP placement within the so-called "active period of benefit" (after 12 months of unemployment) leads to exclusion, with no readmission until 52 weeks of work have been performed. These remarkable contrasts probably relate to rather specific national circumstances (union ownership of the wage-related benefit system in Finland, the short duration of most participation in ALMPs in the United Kingdom and the current forceful commitment to the "active period of benefit" strategy in Denmark).

Table 1. **Periods of benefit sanction following a voluntary quit and refusal of work or ALMP placement**

	First voluntary quit or dismissal for fault	Refusal of work or ALMP placement		
		First refusal	**Second refusal**	**Subsequent refusals**
Australia	4-5 weeks[a]	4-5 weeks[a]	6 weeks[b]	8 weeks
Belgium	8-52 weeks[c]	26-52 weeks	Exclusion	
Czech Republic	Exclusion[d]	3 months[e]	(Exclusion)	
Denmark	5 weeks	1 week (job), exclusion (ALMP[f])	Exclusion	
Finland	3 months[g]	2 months[g](job), 0-2 months (ALMP)	2 months or exclusion[h]	2 months or exclusion[h]
France	4 months[i]	Temporary or definitive exclusion[j]	Temporary or definitive exclusion[j]	Temporary or definitive exclusion[j]
Germany	12 weeks[k]	12 weeks[k]	Exclusion[l]	
Japan	1-3 months[m]	1 month[n]	No change	No change
New Zealand	13 weeks[o]	1 week (job), until recompliance (ALMP)[p]	13 weeks (job), until recompliance[p] minimum 1 week (ALMP)	13 weeks
Norway	8 weeks	8 weeks	12 weeks	26 weeks
Spain	Exclusion[q]	Exclusion		
Switzerland	6-12 weeks	6-12 weeks	6-12 weeks or exclusion[r]	6-12 weeks or exclusion[r]
United Kingdom	1-26 weeks	1-26 weeks (job), 2 weeks (ALMP)	1-26 weeks (job), 4 weeks (ALMP)	1-26 weeks (job), 4 weeks (ALMP)

a. Full-time equivalent of an 18% reduction in benefit level that lasts 26 weeks.

b. Full-time equivalent of a 24% reduction in benefit level that lasts 26 weeks.

c. 8-52 weeks in cases of dismissal for fault, 26-52 weeks in cases of voluntary quit.

d. May apply only in cases of repeated quits during a 6-month period.

e. Exclusion is also possible.

f. A first refusal of an ALMP placement leads to exclusion only during the "active period" (after 12 months of unemployment).

g. Reduced to 1 month if the job in question is for less than five days.

h. Legislation specifies exclusion for repeated refusals, which are not defined, but in practice a second refusal within a year is a repeat refusal. However, the sanction for people with wage-related benefits who repeatedly refuse ALMP placements is limited to 2 months.

i. Admission to benefit after 4 months of unemployment is conditional on proving active job search during these four months.

j. The word "exclusion" in this table generally implies an indefinite benefit stop or definitive loss of remaining benefit entitlement. In France, legislation also provides for temporary exclusions. When an attitude of refusal of work is observed, exclusion is in principle definitive.

k. Reduced in some circumstances.

l. Exclusion follows when sanctions totalling 24 weeks have been pronounced.

m. Typically 3 months.

n. One month in case of refusal of work, but up to 1 month in case of refusal of training.

o. Under a "clean slate" provision, benefit payments can resume after 4 weeks on a provisional basis if the person is participating satisfactorily in community work, employment-related training or another organised activity. If the person obtains full- or part-time short-term employment for at least 6 weeks, the remaining stand down can be waived.

p. Recompliance means attending an interview following the failure to attend one: in a case of refusal of "community" work or training, etc., it could mean participation in an activity as under the "clean slate" provisions.

q. Exclusion in cases of a quit, but a 3-month waiting period in cases of dismissal for fault.

r. A second refusal of an ALMP place leads to exclusion, and a second or third refusal of a job might lead to exclusion.

Sources: Legislation and other material, in many cases as supplied for the OECD thematic review of labour market behavioural criteria for unemployment benefits.

In cases of failure to co-operate with the PES (*e.g.* failure to attend interview), some countries apply sanctions. In others, the PES considers that the benefit claim has been dropped, and simply stops benefit payments until the person has re-contacted the PES and complied with requirements. Where there are defined-duration sanctions for failure to co-operate with a regular administrative requirement (including attendance at interviews with the PES), they tend to be considerably lighter than for refusal of a job.[13] But there are some significant exceptions in relation to individual action plan procedures, the "active period" of benefits and placements into ALMPs. Thus, an indefinite benefit stop applies for refusal to co-operate with the action plan procedure in Belgium and Denmark.

Sanction statistics

Table 2 shows the incidence of benefit sanctions in a number of countries in terms of annual sanctions as a percentage of the inflow to benefits or the stock of beneficiaries. The table includes, in principle, all recorded decisions to temporarily or permanently stop benefits for "voluntary quit" and "labour market behavioural" reasons (including stops on general eligibility grounds), but in the case of "administrative infractions" the table only includes stops which officially have the nature of a "sanction". This is because, for the few countries where statistics apparently covering all negative decisions on benefit applications or continuation of benefit have been obtained, these are clearly not all sanctions and the categories used are too broad to allow separate identification of "administrative infractions", as defined here.[14]

The statistics at the more aggregate level in Table 2 are probably the least comparable across countries, because for the Czech Republic and Denmark stops for voluntary quit are not recorded, and for six countries no sanctions for administrative infractions (such as failure to attend interviews with the PES) are recorded. But benefit stops of some kind must occur. However, in the case of lack of evidence of active job search, where no statistics are shown this probably does indicate that no, or very few, sanctions occur on these grounds, except perhaps for Japan. In Japan people whose job-search, as reported on four-weekly declaration forms, is considered inadequate lose their remaining benefit entitlement but since this is considered as enforcement of a general eligibility (willingness to work) criterion rather than a formal sanction, statistics are not recorded.

In most countries, less than 5% of new benefit claims are sanctioned on grounds of voluntary quit or dismissal for fault. This is far lower than the proportion of the experienced unemployed who report in labour force surveys that separation occurred through leaving rather than dismissal or termination of a fixed-term contract [OECD (1990), Table 2.4, shows that this proportion often exceeded one quarter and it approached one half in Germany and the United Kingdom]. This discrepancy arises partly for valid reasons (*e.g.* a quit when the spouse moves to a different part of the country for professional reasons is often not sanctionable), but also partly because employers collude with employees (*i.e.* agree to falsely report that they were dismissed) and because many situations are ambiguous (*e.g.* unsatisfactory workers are persuaded to leave, dissatisfied workers are dismissed, etc.).[15] In the United States, the experience-rating of UI benefits gives employers some incentive to contest employees' claims that they were dismissed. Here, employers quite often state that the person has been dismissed for misconduct.[16] In most other countries this incentive is lacking, although the Netherlands recently made employers responsible for financing the first six months of benefit. However in Japan, where companies have traditionally been concerned to provide job security and few personal reasons for quit are allowed, more than half of all new claims are subject to a three-month postponement for reasons of voluntary quit.

Table 2. **Incidence of unemployment benefit refusals and sanctions in fourteen countries**

	Australia Jul-Nov 1997	Belgium 1997	Canada 1998	Czech Republic 1997[a]	Denmark Q1 1997	Finland 1997	Germany 1997	Japan 1998[b]	Sweden 1998[c]	Switzerland 1996[d]	New Zealand 1997/98[e]	Norway 1998	United Kingdom 1997-98	United States 1998[f]
	As a percentage of the inflow to benefits													
Sanctions for behaviour before benefits start	**2.21**	**4.70**	**19.38**	..	..	**3.44**	**3.62**	**57.26**	**3.09**	**13.12**	**0.50**	**10.55**	**4.32**	**11.13**
Miscellaneous initial conditions	..	0.03	1.09	..	..	0.61	..	..	..	..	..	..	..	..
Voluntary unemployment[g]	2.21	4.67	18.30	..	..	2.83	3.62	57.26	*3.09*	..	0.50	10.55	4.32	11.13
	Total sanctions in a year (or data at an equivalent annual rate) divided by the average stock of beneficiaries, in percentages													
Sanctions and refusals for behaviour during benefit period	**14.71**	**4.20**	**6.07**	**14.70**	**4.30**	**10.19**	**1.14**	**0.02**	**0.79**	**40.29**	**0.37**	**10.84**	**10.30**	**56.97**
Labour market behavioural conditions	***3.30***	***0.78***	***6.07***	**..**	***2.12***	***10.19***	***1.14***	***0.02***	*0.61*	***38.49***	***0.37***	***7.32***	**5.52**	***35.35***
Refusal of work	0.33	0.02	2.74	..	0.57	2.69	0.64	0.00	) 0.61	13.23	0.01	5.01	1.23	1.90
ALMP or related action plan	1.82	0.76	..	..	1.55	7.50	0.50	0.02	)	..	0.36	2.31	2.21	..
Evidence of job search	1.15	..	3.33	..	..	..	..	..		25.26	..	..	2.08	33.46
Administrative infractions[h]	***11.41***	***3.42***	**..**	**..**	***2.18***	**..**	**..**	***0.00***	***0.17***	**..**	**..**	***3.52***	***4.78***	***21.62***

.. Unknown or zero

Table 2. **Incidence of unemployment benefit refusals and sanctions in fourteen countries** *(cont.)*

a. Because data in the Czech Republic relate to exclusions from the jobseeker register, total registered jobseekers (not beneficiaries) are used as the denominator in computing the incidence of sanctions.

b. In Japan, some exclusions from benefit (on grounds of lack of willingness to work) may occur in cases of insufficient evidence of active job search, but these cases are not recorded.

c. In Sweden, sanctions for behaviour during the benefit period exclude some cases not decided by June 1999. Sanctions for the reason "not available for work" have been reported here as "administrative infractions" (they are suspected to include, for example, cases where the PES was unable to contact a jobseeker in time for a referral) although this interpretation is not certain. In cases of failure to attend a regular counselling appointment, benefit may be stopped but no sanction arises (OECD, 1996*b*, p. 52)

d. Total sanctions in Switzerland in 1996 are allocated to quits, job search, refusal of work and other sanctions for behaviour during the benefit period (included in this total but not in any sub-category), according to incomplete results of partial surveys conducted by OFIAMT in 1989, 1992 and 1998. Data for 1993 (a year with a similar unemployment rate) were used as the denominator in calculating incidences. New benefit claims were estimated as 72% of new registrations with the placement service.

e. In New Zealand, sanctions shown in the "ALMP or related action plan" category could relate to failures to provide evidence of active job search under Workplan or to failures to attend work readiness interviews.

f. The US "active job search" sanction total includes some sanctions related to ability and availability issues. In the United States, sanction rates for ongoing claims are usually cited on a per-claimant-contact basis, where claimant contacts occur weekly. The annual rates shown here can be read as saying, for example, that the average weekly rate of sanctions applying to persons with a current claim for active job search reasons is 0.63% (*i.e.* 33.46% divided by 52 weeks).

g. Voluntary unemployment includes dismissal for fault.

h. "Administration infractions" here refer to non-attendance at interviews with the PES and failure to send necessary forms or notify changes in circumstances, including in some countries sanctions for non-declaration of income. However, where failure to attend interviews called specifically to discuss a job, programme place or action plan is assimilated to refusal of these measures, the sanctions have been left in the relevant category.

Sources: Information from national authorities, advice from Anders Forslund and Secretariat calculations.

The annual total of sanctions for refusal of suitable work, relative to the stock of beneficiaries, is highest in Finland, Norway and Switzerland. In each case, there is some evidence that a substantial proportion of vacancies are filled by active matching to the unemployment register and the direct referral of suitable candidates. But this also occurs in Denmark and Germany. Perhaps the biggest surprise here is that sanction rates for refusal of suitable work are higher in the United Kingdom and the United States than in Denmark and Germany. Most reports indicate that the PES in the United Kingdom and the United States relies overwhelmingly on advertising-type methods to fill vacancies. Sanctions for refusal of work probably arise mainly form direct referrals made under less-well-known case management procedures.[17] New Zealand (which in principle has similar case management arrangements) pronounced just 13 sanctions for refusal of work in 1998/9 and Japan just one for this reason in 1998.

Sanctions for refusal of an action plan or ALMP placement may be more frequent in Finland than in Denmark because in Denmark such refusals are heavily sanctioned and in Finland vocational training programmes are large, but sanctions are sometimes mild and there are some perverse incentives to refuse offers (OECD, 1996*a*). The relatively high sanction rate for refusing ALMP places in the United Kingdom (despite relatively low levels of spending on ALMPs) probably arises because inflows are large (many ALMPs are one or two-week courses, rather than long-term) and sanctions are mild: non-attendance rates even for compulsory courses are sometimes very high (Finn *et al.*, 1998).

Although New Zealand, in principle, put more emphasis on obligations to undertake community work as from 1998, its actual sanction rate remained low.

Switzerland and the United States report many more sanctions related to monitoring of independent job-search activity than Australia and the United Kingdom. The normal sanction for insufficient reporting of job-search contacts in the United States is loss of benefit for the reporting week only. Also, in Switzerland and the United States, benefits are based on insurance principles and many of the unemployed have recent work experience, which may encourage a more rigid interpretation of job-search requirements. In Australia, the sanction is more severe (an 18% reduction in benefit for 26 weeks). In the United Kingdom, the job-search requirement is often less explicit: a required weekly or monthly frequency of job applications is often not specified, reporting of name and address for employer contacts is not generally required and there is a considerable local flexibility in monitoring job-search requirements (Finn *et al.*, 1998). The fact that Denmark, Germany and Norway report no sanctions for insufficient levels of independent job search confirms that the general requirement for such job search in these countries does not have much impact, in the absence of a legal basis for more specific and detailed monitoring procedures.

The incidence of sanctions for specific reasons in specific countries depends largely upon various aspects of PES procedure. If there is no regular procedure that is capable of monitoring the behaviour in question, few sanctions will arise. The incidence of sanctions generated by a regular procedure (*e.g.* direct referral to PES training programmes) no doubt varies with the frequency of the intervention itself, but it also varies with other factors such as whether legislation allows flexible interpretation of the criterion in ways favourable or unfavourable to the unemployed, the harshness of the sanctions themselves, guidelines for individualised counselling (*e.g.* counsellors may be encouraged to issue warnings to at-risk clients and arrange further counselling before initiating any sanction action), and administrative blockages (which arise when employment counsellors have to transmit documents to a separate benefit administration for decision). Appeal procedures also influence outcomes.[18] In Nordic countries there is generally a consensus among social partners in favour of the active approach to labour market policy, but this does not in itself guarantee compliance with requirements by unemployed people. Sanctions for non-compliance are therefore also needed in these countries and relatively high sanction rates can arise.

Sanction rates vary not only across countries, but within countries and through time. Some scattered evidence indicates that variation through time, like variation across countries, is large. The number of sanctions for job refusal fell by a factor of 5 or 6 between 1968 and 1976 in the United Kingdom (Layard, 1986, Table 6) and by a factor of 3 between 1988 and 1993 in Sweden (OECD, 1996*b*,p.52). These were recession periods, where unemployment roughly doubled in the United Kingdom and quadrupled in Sweden, and sanctions per year per unemployed person (the concept used in Table 2) must therefore have fallen by a factor of ten or more. Administrative drives can also cause large variations, such as the increases in the number of sanctions by a factor of 2 in the United Kingdom and 5 or more in the Netherlands in the early 1990s (see Section 6 below). Aggregated across the United States, sanction rates for refusal of suitable work (measured in terms of sanctions per year per unemployed person) have been procyclical, without much trend. By contrast in Canada there was a countercyclical rise in sanctions in the early 1970s and a considerable fall thereafter: the sanction rate for refusals of suitable work in 1998 was only about half the 1988 (previous peak) rate.[19]

Variation within countries also appears to be very great. An evaluation in Switzerland reported for 125 regional placement offices that the ten highest sanction rates averaged 43 times the ten lowest. An evaluation in Sweden noted great variation in sanction rates between local PES offices, with some offices pronouncing no sanctions at all, but with no demonstrable statistical pattern either by region or in any other way (see the paper *External Audits of the Public Employment Service* in this

book). In the United Kingdom in 1997-98 – a time of management attention to the enforcement of eligibility conditions – clients reported wide arbitrary variations in the scrutiny of job search, with some ES offices or individual officers ignoring the procedure and others insisting on it, and one local Jobcentre reported to be unwilling to perform the benefit policing role with any degree of commitment (Finn *et al.*, 1998, pp. 26, 50).

In the United States in 1991, sanction rates per 1 000 "claimant contacts" (which occur weekly) for "able and available" reasons were two or less in seven states and ten or more in another eight states. For "refusal of suitable work" reasons, sanction rates varied less, lying in the range 0.15 to 0.35 for 30 out of the 52 states (Anderson, 1997), although variation at local office level could be considerably greater. Earlier research (Corson, Hershey and Kerachsky, 1986) found that both sanction rates are lower in states where the insured unemployment rate is higher (in line with the procyclical behaviour of sanction rates) and that sanction rates for refusal of suitable work are lower in states which apply a strong sanction (exclusion from benefit) in this case. But much of the variation in sanction rates could not be explained statistically. The characteristics of state laws and the general philosophy of the state towards UI claimants had no significant impact. An in-depth process analysis carried out in six states nevertheless suggested that the scope of work-search requirements and procedural factors (such as purposeful and frequent questioning of clients, the use of in-person interviews, and a clear definition of processes for fact-finding and sanctions) were influential.

The extent of variations in sanction rates, through time or across localities, seems excessive in some cases. The co-existence of low-sanction-rate areas, where abuses recognised elsewhere are ignored, and high-sanction areas where behaviour that is tolerated elsewhere is punished, seems likely to be unjust and ineffective in the labour market. Arguably the uniform and consistent enforcement of eligibility criteria should be an policy objective in its own right.

5. Can a reasonable index for the strictness of benefit eligibility criteria be constructed?

The Danish Ministry of Finance (MoF, 1998) recently constructed an index for the strictness of eligibility criteria based on a limited number of indicators: independent job-search requirements; occupational mobility and geographic mobility criteria for suitable work (the latter including both travel to work and relocation); and the standard duration of benefit sanctions following voluntary quits and refusals of job offers. This section advances two main observations: first, it is not always easy to compare these eligibility criteria, and other criteria tend to be even less comparable, so it will be difficult to construct a much better index for the relative "strictness" of the criteria as they appear in legislation than the Ministry of Finance one; and second, if the aim is to guide policy or help explain international differences in unemployment rates, an indicator focusing on a concept closer to "tightness" or "effectiveness" of eligibility criteria, including implementation arrangements, would be more appropriate and would classify countries rather differently.

An attempt at measuring the overall "strictness" of legislation involves scoring strictness in selected specific areas and weighting these partial results together. However, legislation can be obscure:

- Some legislation (*e.g.* in the Czech Republic and Spain) is worded generally and does not mention, for example, whether part-time work, casual work, shift work and night work are considered "suitable".
- Even legislation that is quite developed in detail often contains ambiguous or partial treatments of specific issues, such as geographic mobility and the practical content of active job-search requirements.

- Legislation may include broadly-worded statements (*e.g.* that the unemployed person "must use all possible ways to end his joblessness" in Germany and "must permanently and effectively seek work" in France) which on a literal reading are clearly "strict". However, courts commonly refuse to pronounce benefit sanctions on the basis of these phrases alone in concrete situations (*e.g.* when someone who has refused an offer of work abroad or has failed to maintain a diary record of job applications).

At the national level, jurisprudence may clarify how some standard situations are likely to be treated if they are brought before the courts, but no suitable comparative summary of jurisprudence is available.

Any ranking of countries for the "strictness" of their legal provisions will be fairly sensitive to the weighting system applied to the components of the index, because strictness in one area is quite often balanced by relative laxity in another. For example, Spain is very strict in relation to voluntary quits, but may be rather lax in other respects. Australia and the United Kingdom provide rather limited occupational and wage protection, but go furthest in accommodating conscientious and religious objections to work. Similarly, Finland and Norway define suitable work strictly, but impose few requirements for independent job search.

Although "strictness" at the level of legislation is a concept of interest in its own right, it is unlikely to capture the overall impact of eligibility criteria requirements on unemployment levels well because variations in implementation are very large. Implementation in general has declined to rather low levels at some times and in some countries: in a given country at a given time, some eligibility criteria may be effectively implemented while others have only limited practical relevance. As mentioned above, "suitable work" criteria have practical relevance mainly to the extent that the PES uses a specific method of job-broking (*i.e.* the direct referral of jobseekers to specific job vacancies that the PES has selected for them).

The formal strictness of legislation will be misleading as a guide to its actual impact if the formal strictness results from, or provokes, infrequent implementation. Starting from the observation that the strictest requirements – for example, that the unemployed person should accept jobs involving up to four hours of commuting per day – will, in some circumstances, be unreasonable, the following observations are relevant:

- In countries where legislation is consistently implemented, everyday practice regularly throws up individual cases where the general rules appear unreasonable and experts are kept busy developing exception clauses.[20] The absence of such exception clauses, although it makes the legislation stricter in a formal sense, could merely indicate that the strict general rule is rarely applied.

- Even if courts do in contested cases support a literal interpretation of strict general rules (*e.g.* that all unemployed must accept almost any legal job), employment counsellors will be reluctant to initiate sanctions each time that this is possible. But if sanctions are only infrequently implemented, their application in any individual case will seem arbitrary. If employment services develop approximate unwritten rules about when they do and do not apply their sanction powers, as long as these rules are out of line with general legislation they cannot be codified and employment counsellors will continue to face a large degree of personal responsibility and uncertainty as to what standards apply. For such reasons, actual implementation may become unnecessarily troublesome and infrequent.

Although a situation where formal rules are stricter than usual practice might sometimes have perverse effects, employment services may tend to see advantages in it. It may facilitate the application of sanctions when employment counsellors think they are needed (when legislation is strict, an unemployed person will rarely be able to refuse a direct referral), and may tend to give employment counsellors general discretionary powers in their relationship with clients, even in the absence of legal clauses which explicitly require clients to follow instructions from them.[21]

Given the variability in implementation, an overall indicator for the impact of eligibility criteria should incorporate some direct indicator of implementation. However there are some difficulties in using sanction rates for this purpose. Legal strictness and implementation indicators interact in a multiplicative rather than an additive way (*e.g.* a strict legal definition of suitable work is irrelevant if there is no implementation of this criterion), and data rarely report sanctions by detailed reason in ways that would allow such sophisticated calculations. A more basic difficulty is that sanction rates are not a direct indicator of implementation. Sanction rates are highest when levels of monitoring and levels of non-compliance are *both* high. If communication and information errors are minimised (*i.e.* when the unemployed are well informed about requirements and monitoring procedures reliably detect non-compliance), compliance may be high with a fairly low sanction rate.[22] From this point of view, the frequency of PES interventions that might detect non-compliance could be a better indicator of implementation than the actual incidence of sanctions that results. Often the PES has adequate legal authority for its behavioural requirements and their impact is mainly a function of the frequency of interventions that take place under this authority (*e.g.* how often jobseekers are called to interview, referred to vacant jobs or asked to report their job-search activities).

An international comparison of the "strictness" of eligibility criteria also raises some issues of "reverse causality". A favourable overall employment or unemployment situation may encourage the legislator to be more "lax" in some areas and "stricter" in others. Strict eligibility provisions in Belgium and Spain (four hours travel-to-work time in Belgium, voluntary quit is never justified in Spain and sanctions for any infraction are very severe in both countries) suggest a political perception that people are lucky to have any job or job offer at all and are, therefore, never justified in abandoning or rejecting it. Apparently lax eligibility requirements for benefits (*e.g.* those which make allowance for child-care problems) will be developed in countries where many people with constraints on availability (*e.g.* people with child-care problems or mildly disabled older workers) have jobs – which is a necessary condition for a high overall level of employment. And formal requirements for independent job search are applied mainly in countries with relatively flexible labour markets (Australia, Switzerland, the United Kingdom and the United States) where job vacancies are in any case easier to find.

Much of the information about eligibility criteria that is available relates only to unemployment insurance benefits, which vary in their duration and coverage. A general principle of allowing the unemployed to refuse work that involves a change of occupation, for example, would be a fairly standard arrangement when applied to a benefit that last six months or less, but a relatively "lax" arrangement if applied to a benefit that lasts two years or more. In many countries, a significant proportion of the unemployed receive a separate assistance benefit (*e.g.* municipal social assistance, or the RMI in France) so labour-market-behavioural eligibility criteria for these benefits should be taken into account. In the United States, welfare for lone mothers was essentially an entitlement, guaranteed as long as incomes remained below a determined figure, prior to the welfare-to-work reforms of the 1990s: the introduction of availability-for-work requirements (which, in principle, meant that formerly inactive beneficiaries became unemployed) has generated huge amounts of debate and analysis. In general, eligibility criteria for assistance benefits vary greatly in terms of strictness, clarity and implementation, but it is often difficult to get detailed information about them.

6. Evidence for the impact of eligibility criteria: a brief survey

Do eligibility requirements and sanctions affect unemployment? They will most directly affect unemployment as measured by the number of people with benefits. In countries with high benefit coverage, a long-term change in beneficiary numbers may typically be associated with a change in unemployment according to the standard ILO definition that is at least one half as big, although the link may be erratic and it needs further research. The potential importance of eligibility requirements of an "exclusion" nature is illustrated by experience in Canada, where benefit payments to seasonal workers (who are often not really available for work during the slack season) are a major and persistent concern, and in Belgium where a substantial proportion of benefits goes to mothers with child-care responsibilities (who are often not really available for full-time work). Their experience suggests that defining these groups as ineligible, or at least tightly defining when they are eligible, as some other countries do, could have quite a large impact on the beneficiary population. The impact of "exclusion" clauses is generally taken for granted in the sense that analysts have pointed to restrictive changes in entitlement and eligibility criteria as influences on benefit coverage in the United States during the 1980s and in Canada during the 1990s, and as an influence on registered unemployment in the United Kingdom in the 1980s. But as far as benefit coverage is concerned, entitlement conditions influence outcomes more than eligibility conditions.[23]

Three main types of evaluation of the impact of eligibility criteria can be identified. First, some studies estimate the impact of individual PES interventions such as intensive interviews, job search reporting and referrals to training or job creation. Second, some evaluations of the PES examine benefit eligibility criteria and implementation practices as a management issue. Third, differences across countries (or states, in the United States) in overall rates of unemployment or benefit receipt can be compared with differences in eligibility criteria, to estimate the aggregate impact.

Relatively few evaluations directly assess whether the compulsory nature of a PES intervention has modified its impact or generated "disutility" or "entry" effects, but various evaluations suggest a significant impact. Some relevant findings include:

- Compulsory *intensive interviews* reduce the volume of benefit claims. Administrative experience has often been that the introduction of a procedure for interviewing unemployed people (when such a procedure was previously little used) leads to 5 to 10% of benefit claims being dropped (OECD, 1994*b*). Dolton and O'Niell (1996) also report from an experiment conducted in 1989 in Britain that the treatment of dropping the 25-minute Restart interview normally conducted at six months reduced hazard rates out of unemployment over the next five to six months by 20 to 30%.

- *Job-search requirements* for UI benefits in the United States yield significant cost savings, as has been confirmed in a number of experiments conducted in co-operation with employment services in several states [OECD (1999) and Box 1].

- *Long-term labour market programmes* (*e.g.* four to six months vocational training or work experience programmes) reduce open unemployment through the mechanical effect of participation itself, but there is mixed evidence on whether they reduce "broad" unemployment (*i.e.* the total including programme participants). In Finland and Sweden, the general policy of placing the long-term unemployed into labour market programmes lasting about six months (substantially modified around 1993 in Finland) did not keep total unemployment low in the 1990s. But there is room for debate about how far these programmes should be interpreted as "compulsory": according to the "carousel"

argument, these programmes have increased unemployment because participation in them creates a right to a new period of benefits. In Denmark, the general policy of placing the long-term unemployed continuously into active measures for three years corresponds more clearly to the concept of an "onerous condition" for the continued receipt of benefit and has been more successful, at least for the moment. Most unemployed drop their benefit claim in one way or another long before expiration of this three-year "active period of benefit". When the timing of the activation obligation was brought forward towards the 24th month of unemployment between 1997 and 1998, outflow rates from long-term unemployment into ordinary employment increased by 50% or more, particularly for the groups most directly affected: the 1998 pattern where outflow rates from long-term unemployment considerably exceed those from 6 to 12 months durations, is exceptional in a context of continued receipt of benefit (see *The Active Labour Market Policy in Denmark*, Part II in this volume).

Box 1. **Work search requirements in Maryland, United States**

In June 1993, the US Department of Labor and the State of Maryland began an experimental programme with a design that drew upon experience from several previous studies. New UI claims during 1994 were randomly assigned to varying work search "treatments", both modifications in the work search reporting requirements and job-search training.

The normal work search requirement in this state at the time was to report two contacts with named employers per week. A treatment which increased the number of employer contacts required from two to four per week reduced the average duration of UI payments by 0.7 weeks (5.9%). Another treatment which retained the requirement for two employer contacts per week, but informed claimants that reported contacts would be verified with the employer (in practice, only about 10% of reported contacts were verified), reduced the average duration of UI payments by 0.9 weeks (7.5%). Dropping the requirement for reporting of work search contacts each week (although in this case, the claimants were still informed that they must search for work) increased the average duration of UI payments by 0.4 weeks.

In contrast to the first two treatments with more stringent requirements, which recorded only insignificant increases in total annual earnings (as measured over the year following the initial claim for benefit), the third treatment with relaxed requirements led to a statistically significant increase in total annual earnings of USD 347 (4.1%). This suggests that claimants in this group found higher-paying jobs, perhaps because they waited longer for recall by the previous employer or for a better-paid job offer, or searched more efficiently or had a stronger bargaining position with potential employers, when freed from the reporting constraints.

A fourth treatment, where claimants were required (usually in the third to fifth week of their claim) to participate in a four-day job-search training workshop reduced the average duration of UI payments by 0.6 weeks. The overall impact came largely through a 28% increase in the hazard rate (*i.e.* the proportion of people whose status changes in each time period) of out of UI for the two weeks immediately preceding the date of the scheduled workshop: the hazard rate during the workshop period itself fell, and evidence concerning the period after the workshop was mixed. This suggests that the workshop obligation had an impact more because it increased the cost of UI receipt than because it increased job-search skills. Nevertheless, this treatment significantly increased the proportion of job re-entrants who found a new employer rather than being recalled by the previous employer.

Source: Benus *et al.* (1997).

Various further specific "behavioural" requirements in benefit eligibility criteria have rarely, if ever, been evaluated in any systematic way. This applies to the suitable work criteria which oblige the unemployed to move to a different area, change occupation or accept a lower wage. Only the United Kingdom and Switzerland have a "pilot scheme" clause in benefit legislation which would, in principle, allow experimental relaxation of such requirements for particular individuals or local areas.

A few studies provide some evidence on the impact of benefit sanctions. Abbring *et al*. (1999) found in 1992 data from the Netherlands that (after controlling for heterogeneity and modelling the probability that individuals would receive a sanction) the imposition of a sanction on unemployed people raised the subsequent transition rate to employment by 77% in the metal sector and 107% in the banking sector. Van den Berg *et al.* (1999) conducted a similar analysis in data for unemployed people in Rotterdam who had previously worked and were receiving the assistance form of benefit during 1994-96. In this case, a sanction raised the transition rate from welfare to work by 140%. Sanctions may have encouraged exit by reducing the perceived utility of continuing unemployment (a second sanction may be perceived as more likely to occur, and likely to be more severe). The estimated impacts seem large, and suggest that any significant risk of sanction may have quite a large impact on behaviour. However it should be kept in mind that sanctions may have been successfully targeted on people for whom they are likely to have an impact (*i.e*. employable persons who appear to lack motivation): the impact at the margin, if sanctions were used more widely, might be much smaller.

Box 2. **The role of the UK Employment Service in implementing eligibility criteria**

A parliamentary committee in the United Kingdom recently assessed the performance and future role of the Employment Service, taking evidence from people in nearly 60 organisations over a course of a year (EEC, 1999 and appendices). Benefit legislation (the Jobseekers Act) introduced in 1995 continued to be controversial, there had been a recent change of government, and the committee chairman at the outset referred to the necessity for cultural change to convert the Employment Service from being an enforcer of what some regarded as a harsh benefit regime into a sharing, caring organisation. This evaluation was therefore political as well as technical in nature.

In relation to the "benefits policing role" of the Employment Service, the committee's final report observed that "[d]espite their concerns about the tension between imposing (or threatening) sanctions and providing employment assistance, the majority of our witnesses favoured the presence of sanctions in principle". In fact, views from people working in advice centres for the unemployed, career guidance services, and unions representing workers in the employment industry were mixed. Many claimed that some unemployed people were obliged to attend training that would not improve their prospects, or sanctioned for refusing work that was really not suitable for them. They also claimed that Employment Service work was skewed towards monitoring eligibility, or reported that jobseekers themselves felt this. However, some of these organisations did not oppose the general principle that benefits should be conditional on looking for work.

An expert engaged in evaluating the legislation through several large-scale surveys of the unemployed pointed out that the application of sanctions involves decisions which might elsewhere be taken by a judge being taken, instead, by comparatively junior staff. Nevertheless, he considered that the main legislative principles of conditionality of benefits linked to active provision of advice and services were essential. The view of the Employment Service and its ministry were similar. Benefit claimants themselves, according to survey evidence, accepted the underlying principle of the new legislation although they were concerned that it could be badly implemented and that they personally might be coerced into making unsuitable choices.

The report commented: "Combining assistance with compulsion, while retaining the confidence of clients, is one of the biggest challenges facing the Employment Service today. … When handled well, JSA can and should be an effective labour market instrument.". It recommended additional monitoring of the effect of sanctions, special care to ensure that staff are absolutely certain of the way in which eligibility criteria should be applied, and changes in the benefit rules to favour activities which might enhance employability such as part-time work, study, and voluntary work where appropriate.

Some social affairs ministries (and in the Netherlands, the CTSV, see below) issue occasional papers assessing benefit fraud and counter-measures, and report results from surveys which examine the experience of individuals who have been sanctioned. General evaluations of the effectiveness of PES work have quite commonly treated sanctions as an irrelevant or highly secondary

issue, apparently on the grounds that sanctions are the policy responsibility of a separate benefit administration or that sanctions involve only a small minority of clients and have little relevance to overall placement strategy. However, recently a Swiss evaluation examined the sanction policies of local employment offices and their impact in some detail and a Swedish audit called for major reforms in this area (see *External Audits of the Public Employment Service* in the Introduction to this volume), and a UK parliamentary committee examined the PES' role in, among other things, implementing eligibility criteria (see Box 2).

The Danish Ministry of Finance reports cross-country regressions for 19 countries in which the 1994-96 average unemployment rate is regressed on its index for the strictness of eligibility criteria and six or seven further explanatory variables (including the net replacement rate and the employment requirement to qualify for UI)(MoF, 1999). Coefficients on this index were large (they indicated that Ireland could reduce its unemployment rate by about 5 percentage points if it adopted the eligibility criteria that prevail in the Netherlands or Sweden). Indeed, MoF (1999) commented that several of the reported coefficients seemed too large. Separate regressions suggested that eligibility criteria influence long-term unemployment more than short-term unemployment. The regressions suggested that strict benefit eligibility criteria offset the impact of a high replacement rate in some countries, such as the Netherlands and Sweden. Such results should of course be treated with caution.[24]

Historical information about benefit eligibility criteria and their implementation in OECD countries is not available in any systematic form.[25] However Auer (2000), in a study of four European countries that have enjoyed recent labour market success, observes "all resorted to a much stricter enforcement of job search and suitable work provisions". Considering the four European countries where unemployment fell during the 1990s to around half of its earlier peak level (*i.e.* Denmark, Ireland, the Netherlands and the United Kingdom), three of these four clearly tightened their surveillance of benefit eligibility in the early to mid-1990s.[26] In each case a general shift in attitudes and/or policy stance, which no doubt expressed itself in many ways, was involved. A few key events were:

- *Denmark*: starting in 1989 labour market criteria were tightened through a succession of minor changes (*e.g.* in terms of the obligation on the unemployed to accept a change in occupation as mentioned above and benefit sanctions for repeat refusals). In 1994, information systems were set up through which the Ministry of Labour could consult all communications from the placement service to the union insurance funds about refusal of work and similar problems. In 1995, a special "availability inspection unit" was set up to audit the sanction decisions of the insurance funds, and this unit began to publish quarterly reports analysing the "fault percentage" (*i.e.* mainly failures to impose benefit sanctions which should have been imposed) of the funds. In 1994, the "active period of benefit" was introduced and it has been backed up by legislation which makes exclusion from benefit the sanction for failure to accept referrals to programmes (see Ministry of Labour, 1999, for a further account).

- *The Netherlands*: starting in the late 1980s there was "a change in focus" which "led to a policy change with respect to the application of unemployment insurance sanctions (…) over the period 1987 to 1994 (…) the number of unemployment insurance benefit sanctions increased from 27 000 to 140 000". In relation to the assistance form of unemployment benefit, "By instruction of the Ministry of Social Affairs and Employment, the welfare agencies started to use sanctions as an instrument to stimulate re-employment of welfare recipients and as instrument against fraud at the end of 1992 (…). Before 1992, sanctions were hardly ever used. By the mid-nineties, about 5% of the welfare recipients in a given year received a sanction" (Abbring *et al*., 1999; Van

den Berg *et al*., 1999). A little later, 13% of welfare recipients reported being sanctioned during the two-year period after January 1996 (Engelen *et al*., 1999). In 1995, a new body with about 200 staff, the CTSV, was created "to control and supervise social security spending" in an attempt to "restore the 'primacy of politics' and curtail the 'primacy of industrial self-organisation' in the area of social security" (www.ctsv.nl; Visser and Hemerijck, 1997). In 1996, legislation imposing harsher benefit sanctions was introduced: in the case of unemployment insurance, the sanction following a first instance of voluntary quit or refusal of work or labour market programme participation became exclusion from benefit (subject to an exception clause for cases where the person is not entirely to blame).

- *The United Kingdom:* obligatory restart interviews were introduced in 1986, an "actively seeking work" eligibility condition for benefit was introduced in 1989, participation in a labour market programme (a one-week course for those who had been unemployed for two years) was made compulsory for the first time in 1991 and under the "Stricter Benefit Regime" an administrative drive led to a doubling of the number of sanctions in 1994/1995 as compared with the preceding few years (Murray, 1995). In 1996, benefit legislation was radically overhauled, creating a clear-cut legal framework for processes that define and monitor availability, job-search and compliance with PES instructions.[27] In 1998, under the New Deal, participation in a labour market programme was made obligatory for all youth remaining unemployed after six months plus an additional four-month "gateway" period.

Although these three countries have reformed legislation during the 1990s, this does not mean that they have made their legislative requirements and sanction provisions uniformly strict in international comparative terms.[28] Many of the changes focused more on the operational implementation of benefit eligibility criteria, and were part of broader reforms aiming to activate the unemployed and improve the administration of social security benefits. They were already well under way in the early 1990s, before the main falls in the unemployment occurred, making it more plausible that they actually caused some of the later falls in unemployment. In Ireland, the first sharp falls in unemployment preceded the current drive to implement a greater degree of benefit conditionality which dates from 1996.[29]

Although empirical information remains rather patchy, it does suggest that some countries get into a "virtuous circle" with sustained falls in unemployment and tighter implementation of eligibility criteria. An obvious interpretation is that these developments reinforce each other. This syndrome would then represent the unwinding or reversing of the "vicious circle" which can set in after an adverse shock to the economy.[30] A recession – or indeed a structural shortage of vacancies – clearly tends to make the monitoring of benefit eligibility criteria less effective because job vacancies and PES staff per unemployed person fall, often very sharply. It may also encourage opposition to the general principle of monitoring benefit eligibility (on the argument that unemployed people are not responsible for their unemployment and that monitoring is futile because the lack of jobs is the real problem). There is clearly a risk, especially if these ideas gain hold in a context where benefit durations can be long, that the economy may enter a new equilibrium with high unemployment and lax application of benefit eligibility criteria persisting alongside each other for a long period.

7. Implementation issues

Much of the evidence that a person is not available for work, and most evidence of refusal of suitable work or of a place on a labour market programme, arises through referrals to specific jobs or

labour market programmes or a discussion of possible referrals of this nature. When legislation is strict, the benefit administration might, in order to implement eligibility criteria, refer unemployed people in a relatively indiscriminate way to vacancies and programme places that easily accessible, track the outcomes and if necessary apply a benefit sanction.

However labour market outcomes will be better, and sanctions will be less frequent and more justifiable,[31] if any offers that are made to unemployed people on a compulsory basis are of high quality, ideally the best that can realistically be made taking account of the multiple constraints that exist in practice. From this point of view, the reasonable and effective enforcement of some of the main benefit eligibility criteria has to be primarily the responsibility of employment service counsellors, whatever the institutional links between this service and the benefit functions may be. This logic is difficult to avoid, but it remains a constant source of tension in the organisation of the PES (Box 2 being just one example among many in this matter).

Institutional arrangements and procedures for implementing benefit eligibility criteria vary greatly between countries. In some countries national parliaments, government and its ministers take overall responsibility for the management of the PES. However in others, although benefits are centrally financed, the PES (or a major part of it) is a separate agency with an independent management board not subject to immediate political control, or management responsibility is decentralised to regional governments. There is then a risk of a political vacuum where none of the organisations or governments involved in the PES takes responsibility, in particular, for active interventions in unemployment spells and the associated implementation of benefit eligibility criteria. Innovations in this direction involve a major effort. If only one part of the system undertakes them with a lack of adequate co-ordination, they become a focus of criticism and are not particularly effective and thus appear not worthwhile.

In Australia, Belgium, Finland, Ireland and the United Kingdom, the benefit administration and placement functions of the PES come under different ministries. But in the United Kingdom, the functions are integrated at the local office level, and in Finland, established procedures make it relatively easy for the placement service to initiate sanctions. In countries such as Germany, Greece, Japan, and Norway, the benefit and placement functions are united under a single labour market agency which reports to a single ministry, but in several cases offices and staff working on benefit administration are largely separated from those working on placement.[32] Even if the functions are co-located at local office level as in Japan, vacancies may be filled almost entirely by advertising methods so that willingness to take all “suitable” work available is rarely tested. Thus, it is difficult to predict, on the basis of the institutional hierarchy, what degree of functional integration exists between benefit and placement work.

Most commonly, sanction and eligibility decisions are initiated (subject to appeal) by employment counsellors. In some countries, the counsellor can, in principle, decide directly (although counsellors commonly discuss cases with the local office manager). In other countries, the employment counsellor formally only notifies the evidence to a separate benefit administration, which takes the actual decision. In the United Kingdom, specialist benefit adjudication officers decide usually on the basis of written evidence, and in some other countries the benefit administration interviews the person prior to imposing any sanction.

Job search is evaluated not by the placement services, but by separate bodies in Ireland (the social welfare ministry), France (the state, although placement is a responsibility of another body, ANPE[33]), and Denmark and, until recently, Switzerland (insurance funds). Perhaps especially in the latter cases, it will be worth considering whether their knowledge of local labour markets, and their access to information from the jobseeker register and management of labour market programmes,

allows efficient evaluation of job search. Evaluations of voluntary quits are also commonly the responsibility of the benefit administration rather than the placement service.

Many ALMPs are run by private sector organisations. They typically see their role as providing help to the unemployed and are reluctant to take on unwilling participants or to report non-attendance or misbehaviour.[34] However, when the PES purchases provision from a competitive market,[35] it can insist that AMLP providers should accept referrals and report non-attendance, etc.

Australia has recently privatised the placement function for the great majority of the unemployed. Contracts with private providers of placement services do not give them direct financial incentives to report evidence of ineligibility for benefit (*e.g.* refusal of suitable work), but they do give an incentive to achieve rapid placements. One pattern is that private providers negotiate an individual action plan with the unemployed person, which is submitted to the relevant State office of the Department of Employment, Workplace Relations and Small Business for approval and then acquires legal force. This allows private providers to specify (within certain limits) eligibility requirements on an individual basis designed to increase the chances of a placement, and it may, in turn, encourage the private providers to report any infractions to Centrelink for a potential sanction decision.

8. Conclusions

Up to now relatively little attention has been paid, in either theory or empirical analysis, to the potential impacts of varying benefit eligibility criteria and their enforcement on unemployment. However, net replacement rates and durations of benefit payments alone are not decisive for the incentive impact of a benefit system, which can be properly assessed only by analysing them together with eligibility criteria. While empirical evidence in this area is relatively disparate in nature and limited in terms of country coverage, the estimated impact of some specific compulsory measures is large, with reported increases in the rate of exit from unemployment of the order of 100% for individuals who have been sanctioned (in the Netherlands), of 50% or more during the implementation of an obligation to participate in labour market programmes (in Denmark), and 25% for months after an intensive interview with the unemployed person (in the United Kingdom). The last two measures apply to all unemployed who reach a certain duration of unemployment, so that the microeconomic estimates also imply a considerable aggregate impact, in terms of lower unemployment rates. The evidence that various compulsory measures have an impact on labour market outcomes of course underlines the importance of assessing these outcomes in more detail, and administering the measures in a fair and consistent way at the individual level.

Analysis and policy are complicated by doubts about whether eligibility criteria can be made effective by enacting *strict* legislation. Current legislation appears "too lax" in certain cases: where, for example, occupational protection is in principle indefinite, support for PES operational procedures (*e.g.* job-search reporting requirements and individual action plans) is not sufficiently explicit, or older workers are exempted from most of the usual requirements. However, it also appears "too strict" in certain cases. Where legislation specifies that all unemployed should accept jobs involving a change in occupation, lower pay and long commuting times, it would not make sense to apply these strict criteria immediately to every person and they are usually applied with administrative discretion. If PES officers exercise their discretionary powers well, this may give good results. But there is a risk that generally strict legislation may, by blocking the creation of operationally-relevant guidelines for diffusion to PES officers, lead to situations where it is applied erratically or not at all. Changes to make legislation more operationally relevant – for example, defining more clearly under what circumstances unemployed people should be required to accept jobs with relatively unfavourable conditions – could give better results than changes which only make legislation stricter.

There is considerable uncertainty about the effectiveness of methods, such as job-search requirements and individual action plans, which attempt to oblige the unemployed person to take initiatives to find work. While these methods are likely to be effective to some degree, they are also likely to encourage and even unfairly reward purely formal compliance and dissimulation, *e.g.* applications for jobs which the person does not expect to get. Compulsory participation by unemployment benefit recipients in active labour market programmes (ALMPs) is a form of "work test" which avoids these problems, but it raises other political, moral and practical issues which have not been examined in detail here. In general, the enforcement of eligibility criteria is greatly facilitated when sufficient levels of job vacancies are available. Not only can eligibility criteria then often be enforced through a general or targeted policy of direct referrals of jobseekers to vacancies, but also jobseekers are better able to respond to other forms of pressure to return to work.

The impact of eligibility criteria depends largely upon the efforts devoted to the *implementation* of legislation. Commonly-arising operational problems, such as failures in co-operation between the institutions involved and arbitrary local variation in sanction rates, are often well known to experts working within the PES at national level. There is nevertheless a risk that they will persist because no-one who is in a position to implement a more coherent policy takes on the difficult and perhaps controversial task of doing this. An organisational and political commitment, typically at national level, is necessary and the extent of this commitment has varied greatly through time and across countries. However tackling specific operational problems, so that sanctions are applied when relevant evidence has arisen, is only a first step. There should be no major distinction between PES strategies which implement eligibility criteria better and those which provide more frequent offers of suitable work and re-employment services of other kinds. This is because, even if some of the behavioural requirements in the eligibility criteria are specific and formal, their underlying principle should be the requirement to accept reasonable offers of work and re-employment services.

When unemployment has persisted at a high level in countries with high benefit coverage and long benefit durations, this has tended to be associated with a relatively low frequency of active interventions in the unemployment spell and a relatively lax implementation of benefit eligibility criteria. A strategy where the PES both intervenes more actively in unemployment spells (various techniques, such as intensive interviews and referrals to vacant jobs and labour market programmes, are available for this) and enforces eligibility criteria better might help more countries to prolong a virtuous circle of trend decline in the aggregate unemployment rate, accompanied by increasingly active interventions in individual spells of unemployment, such as a few OECD countries have already experienced during the 1990s.

NOTES

1. This paper is a modified version of articles which have appeared in OECD *Economic Studies* No. 31 and OECD *Employment Outlook 2000*. Most of the information in Sections 3 and 4 has been supplied to the OECD Secretariat by countries participating in a thematic review of "Eligibility criteria for unemployment benefits and their impact on labour market outcomes". Thanks are due to all people who contributed to the thematic review and to a number of officials who have provided comments and suggestions on earlier versions. Ann-Kristin Nilsen of the Norwegian Ministry of Administration and Labour, Department of Labour Market Policy assisted in the analysis of the information, and particular thanks are due to her and to the Ministry for financing this.

2. Layard (1988) claimed "the correlation of unemployment duration with unemployment benefits is predicted by almost every known model of unemployment". Strictly speaking, unemployment benefits are predicted to increase unemployment as measured by the number of beneficiaries: to the extent that benefits discourage job search, they might reduce unemployment as measured by the standard international definition.

3. The case for excluding seasonal workers from unemployment benefit often involves considerations such as the insurance principle (foreseeable events should be excluded), need (seasonal workers may not need or merit extra help), the practical possibilities for documenting whether people are in the group or not and whether alternative work can be found for them during the slack season.

4. Unemployed people may respond to a behavioural requirement partly through substantive compliance (which increases the chance of finding work) and partly through dissimulation. Extreme behavioural requirements may have a negative impact on job-finding chances if, for example, there is a requirement for full-time participation in an active labour market programme which is inherently ineffective and reduces the time available for job search. In general models, unemployment depends upon the wage bargaining behaviour of employed workers as well as the search behaviour of the unemployed: as long as benefits provide effective insurance against unemployment, employed workers will show less restraint in wage bargaining. However a tightening of eligibility criteria, in addition to its effects on search behaviour, leads to greater wage restraint through the "disutility" effect.

5. Annex 4.A in OECD (2000) describes the main eligibility criteria in greater detail.

6. UI legislation in Austria states that work is suitable only if it does not render a return to a person's original occupation considerably more difficult and, in practice, occupational mobility is not usually required. However entitlements to UI here are relatively short (20 to 52 weeks), and no occupational protection applies to the unemployment assistance benefit. Protection in relation to the previous wage is less common: see note 28 concerning Ireland.

7. Under much benefit legislation, people could be required to work on a job creation programme in return for continuing payment of the equivalent of their unemployment benefit (plus, perhaps, a small supplement), and the equivalent hourly wage might work out below a national minimum or standard wage rate for the activity in question. In Denmark, the list of valid reasons for refusals applies to both regular jobs and offers of programme places during the first year, then during the "active period of benefit" a shorter list applies for programme places.

8. In Belgium, unemployment insurance payments are in some cases, after a period of around five years, stopped unless the person supplies evidence that they have made exceptional and continual job-search efforts. In Spain, although the regular UI benefit has no clear search requirement, long-term unemployed workers aged over 45 with family responsibilities can apply for an "active re-employment income", which is conditional on active job search and agreeing to a personal re-employment plan, etc.

9. Continental European countries, other than the Netherlands and Switzerland, do not require frequent reporting of independent job-search. This is certainly related to a historical view of PES work in which all vacancies should be reported to the PES (many countries had, and some still do have, a legal requirement on employers to report all vacancies to the PES) and the PES should directly manage the allocation of them to the unemployed. The PES has often partly abandoned direct referral methods (*i.e.* it more often fills vacancies by advertising methods) but independent job-search requirements may still be seen as inappropriate for other reasons (*e.g.* they are regarded as oppressive and futile in situations where few vacancies are available and employers already have too many candidates).

10. In all countries examined here except Belgium, Japan, New Zealand and possibly France and Spain, behaviour or statements that deliberately discourage a potential employer can be assimilated to refusal of work and sanctioned even though no actual job offer has been made. In New Zealand, such behaviour is assimilated to an administrative infraction (which involves a smaller sanction).

11. Finn *et al*. (1998, pp. 28-31) report that many unemployed people in the United Kingdom do not know exactly what legislation requires of them, but are likely to co-operate with suggestions from PES staff because they fear that a sanction might otherwise be applied.

12. If the incidence of long-term unemployment (over 6 months and over 12 months) is modelled assuming one fixed hazard rate during the first six months and another thereafter, the expected further duration of unemployment is about 7 months at month zero and 14 months from month 6 onwards, for a country where the incidence of unemployment over 6 months is 50%. Durations are typically somewhat lower in data for registered unemployment (OECD, 1994*a*, Statistical Annex).

13. Some countries have sanctions for failure to report income (undeclared working), which not surprisingly are more severe than sanctions for refusal of work. But other countries appear to deal with this infraction by requiring repayment of benefits received incorrectly and also prosecuting the person when significant amounts of money are involved.

14. Clearly many benefit stops on general eligibility grounds, *e.g.* when the person becomes entitled to a disability benefit, enters employment, or simply ceases to report for unknown reasons, cannot be assimilated to sanctions.

15. In Japan, the period of sanction following a voluntary quit runs from the time of the initial application for benefit, so people who have quit work have an incentive to apply immediately despite the sanction. In New Zealand, the sanction period runs from the time of the quit irrespective of when the benefit application is made, so people who are certain that they will be sanctioned have no incentive to apply (until the end of the sanction period) and administrative statistics understate the effective number of sanctions.

16. Dismissals for misconduct, according to UI statistics, are also common in Canada, but relatively rare in Europe. In the United States, where temporary layoffs are relatively common, the overall incidence of sanctions for voluntary unemployment would much higher than the figure in Table 2 if only permanent separations were considered.

17. Even though self-service is the main job-broking technique used by the PES in the United Kingdom and the United States, specialised literature also describes "case management" procedures in these countries. Their experience may indicate that a targeted use of direct referrals for a relatively limited proportion of jobseekers and vacancies can verify eligibility as effectively as a more generalised use

of direct referral techniques. In the United Kingdom, two programmes involving up to six or seven (usually fortnightly) interviews with the long-term unemployed each had about 200 000 participants in a recent year (Finn *et al*, 1998, p. 82) and direct matches in this context could account for the reported number of sanctions for refusal of work.

18. Although appeal procedures are not described here, in some countries a large proportion of initial sanction decisions are appealed and are overturned or withdrawn at administrative discretion.

19 US sanction rates were calculated based on data supplied by Cindy Ambler of the US Department of Labor and data on the ITSC web site. Canadian sanction rates were calculated from series available on CANSIM.

20. Norway has detailed guidelines describing circumstances under which the requirement for geographic mobility are relaxed (*e.g.* when the jobseeker has children of school age, who have already moved and changed school once). The existence of such guidelines tends to confirm that the general requirement for mobility is quite often applied. In some other countries, individual circumstances may be taken into account through jurisprudence, but rules developed this way may not take into account the needs of labour market policy.

21. In both Norway and Finland, the PES attempts to implement an "action plan" procedure and to monitor independent job search (*e.g.* encouraging the unemployed to keep a job-search booklet documenting the job applications they have made) without specific legislation to enforce these measures. This arrangement works reasonably well in Norway but less so in Finland. In Norway (where suitable work criteria are strict and direct referrals to vacancies are relatively frequent), the unemployed may perceive a greater incentive to co-operate with suggestions made by PES officers because the PES decides what kind of job offers will be made.

22. Although sanction rates cannot always be a reliable guide to the extent of enforcement of an eligibility criterion, it does seem reasonable to interpret very low sanction rates (*e.g.* when less than one in a thousand referrals to jobs are followed by a sanction for refusal) as indicating a lack of enforcement. Increases in sanction rates over time in the Netherlands and the United Kingdom can be cited as evidence of a drive to improve enforcement. Nevertheless, in an international comparative context a 2% sanction rate may enforce eligibility criteria more effectively than a 5% rate: too many other things will not be equal.

23. International variations in benefit coverage are driven by entitlement conditions more than by eligibility conditions (*e.g.* benefit coverage in the United States is low compared with European countries primarily because of the prior-work requirements and the six-month limit on benefit duration).

24. Reported regressions which explain unemployment across countries using multiple explanatory variables are usually the tip of a large iceberg of alternative specifications which were not followed up. Often the equation actually reported has an implausibly tight statistical fit, given the size of known errors in the input data and short- and medium-term fluctuations in unemployment rates. The real significance of such findings is not clear.

25. The basic eligibility requirements that the person must register for employment, be capable of work and available for work and accept suitable work, go back to the inception of unemployment benefit systems. OECD reviews of national manpower policies published between 1963 and 1977 report some detailed eligibility criteria which resemble those considered here: for example in Sweden a benefit sanction applied in the case where a person "without expressly refusing a job, has clearly acted in such a way as to prevent his employment" (OECD, 1963) and in Belgium "a job is deemed to be suitable if it corresponds to the normal job of the person concerned; where unemployment is prolonged, the requirement becomes less strict" (OECD, 1971). In some cases benefit sanctions were shorter than today, no doubt related to the fact that unemployment spells were shorter. Implementation may have varied more sharply through time than the basic criteria. In 1969, the *rapporteur* of an OECD

Working Party noted disapprovingly that "the employment office is sometimes regarded as an adjunct of the unemployment insurance system and as a legalistic institution when it becomes excessively involved in matters turning on statutory requirements such as eligibility for benefits, disqualifications for benefits, and tests of 'suitable' employment", and claimed that past experience had shown the use of compulsory powers "sets in motion counter actions which vitiate its efforts and are self defeating" (Levine, 1969). Some other OECD publications from this period reflect this view. A detailed study and manual for the employment service issued by the ILO stated that the employment counsellor should never refer jobseekers to less qualified jobs (Ricca, 1982, p. 140). In general terms, the attention given to enforcement of eligibility criteria probably declined in the 1970s and 1980s and increased again in the 1990s.

26. For Auer (2000), Austria rather than the United Kingdom is the fourth European example of labour market success: the use of sanctions in Austria increased strongly in the 1990s (according to OECD, 1996*c*, p. 52).

27. The UK government elected in 1997 eased the implementation of benefit sanctions, but through the New Deal it made entry into longer-term work, training or related measures compulsory for all unemployed beyond a certain duration of unemployment.

28. MoF (1998) scores both Denmark and the United Kingdom below the OECD average in terms of the overall strictness of benefit eligibility criteria, a measure that includes the duration of benefit sanctions. It scores the Netherlands relatively high due mainly to its new sanction regime for UI (although many unemployed here receive assistance benefits, for which the sanction regime is much milder).

29. In Ireland, by late 1996, although unemployment as measured by the labour force survey had already fallen sharply from its peak, the total number of benefit claims had fallen hardly at all. Investigation of this paradox eventually led to an anti-fraud drive. At the same time, Ireland began to require some groups of unemployment beneficiaries to register with employment offices (OECD, 1998, pp. 135-147). In April 1997 existing administrative guidelines on availability were published for the first time, and in June 1998 legislation was extensively amended through new Regulations on Availability and Genuinely Seeking Work (S.I. No.137 of 1998). These dropped earlier clauses allowing refusal of work at a rate of remuneration lower than habitually obtained (as reported in MoF, 1998) and specified, for example, that jobseekers must in the current economic climate be prepared to change occupation after 3 months of unemployment, and must show that they have taken reasonable steps to secure employment (website www.cidb.ie, items under Social welfare/Unemployment Assistance/General). In late 1998, under Ireland's Employment Action Plan young people were required, after six months of unemployment, to take up a job or training or risk loss of benefit (website www.cidb.ie, items under Mediascan). Despite moves in this direction, the regular checking of eligibility criteria remains less vigorous than in, for example, the United Kingdom.

30. Tight benefit eligibility criteria and implementation of them might help explain why Norway has kept unemployment low in the 1990s while Sweden and Finland succumbed to adverse shocks. Although Norway and Sweden have similarly strict suitable work requirements, they have different institutional arrangements. OECD (1996*c*, pp. 52-54) noted the relatively low incidence of sanctions (following a fall in the early 1990s) in Sweden as well as some specific weaknesses in control mechanisms, and a recent audit report considered that institutional arrangements were a fundamental obstacle in this area (see *External Audits of the Public Employment Service* in the Introduction to this volume). In Finland, eligibility criteria are not so strict in certain respects (*e.g.* requirements for geographic and occupational mobility) and some general concerns about their effectiveness have been expressed [*e.g.* the central duties of the jobseeker arising from unemployment security "do not require him to show initiative or activity in jobseeking" and are "more appropriate for managing short-time and temporary unemployment rather than employment situation our country has today", according to Räisänen and Skog (1998), p. 150].

31. The implementation of eligibility criteria should promote horizontal equity: in the absence of sanctions, individuals who respect the criteria in the sense that they make the personal sacrifices required by legislation (active search, change of occupation, etc.) in order to return to work are penalised, relative to those in objectively the same situation who flout the requirements. But this positive outcome of horizontal equity can only result if sanctions are implemented in a uniform and consistent manner.

32. In Spain, the benefit and placement functions were for many years institutionally integrated, but responsibility for the placement but not the benefit function is currently being decentralised to regional governments.

33. Three bodies, each with specific responsibilities, are involved in the verification of eligibility conditions in France: the benefit administration ASSEDIC; the placement service ANPE; and the state SCRE. In addition to the checks initiated directly by SCRE, ASSEDIC and ANPE notify SCRE if their own checks suggest doubts about eligibility for benefit, not the reality of job search.

34. The behaviour of programme providers may help explain the common tendency for eligibility requirements to tighten when labour market conditions improve. As the number of voluntary participants in programmes falls, providers have to take on more difficult clients and drop any opposition to compulsory referrals if they are to stay in business.

35. An employment services market which is competitive in the sense that the unemployed can select among providers, and funding follows them, has different implications from one where the PES selects among providers. In Switzerland, the unemployed can choose among UI funds and competition for business among the private sector funds may be leading them to impose fewer benefit sanctions than the public sector funds (OFDE, 1999*b*).

BIBLIOGRAPHY

ABBRING, J.H., G.J. VAN DEN BERG, and J.C. VAN OURS, (1999), "The Effect of Unemployment Insurance Sanctions on the Transition Rate from Unemployment to Employment", Tinbergen Institute (version of 26 April 1999 on www.xs4all.nl/~eabbring/), Amsterdam.

ANDERSON, P.M.(1997), "Continuing Eligibility" in O'Leary, C.J. and S.A. Wandner (eds), *Unemployment Insurance in the United States*, W.E. Upjohn Institute, Kalamazoo, MI.

AUER, P. (2000), *Employment Revival in Europe: Labour Market Success in Austria, Denmark, Ireland and the Netherlands*, ILO, Geneva.

BENUS, J., J. JOESCH, T. JOHNSON, and D. KLEPINGER (1997), *Evaluation of the Maryland Unemployment Insurance Work Search Demonstration: Final Report*, Batelle Memorial Institute in association with Abt Associates Inc. (www.ttrc.doleta.gov/owsdrr).

CORSON, W, A. HERSHEY and S. KERACHSKY (1986), *Nonmonetary Eligibility in State Unemployment Insurance Programs: Law and Practice*, W.E.Upjohn Institute, Kalamazoo, MI.

DOLTON, P. and D. O'NIELL (1996), "Unemployment Duration and the Restart Effect: Some Experimental Evidence", *Economic Journal*, March, pp. 387-400.

EEC – Education and Employment Committee (1999), *The Performance and Future Role of the Employment Service*, Seventh Report, House of Commons, Session 1998-99, Vol. 1, Cmnd 197-I, Stationery Office, London.

ENGELEN, M., S. BUNT and L. SAMSON (1999), *Activeringsinstrumenten in de Bijstandswet: Deelrapport maatregelen* (Activating instruments in the general assistance law: interim report), SZW, Research voor Beleid No. 138, Den Haag, December.

FINN, D., M. BLACKMORE and M. NIMMO (1998), *Welfare to Work and the Long term Unemployed: They're Very Cynical*, Unemployment Unit and Youthaid, London.

LAYARD, R. (1986), *How to Beat Unemployment*, Oxford University Press.

LAYARD, R. (1988), "Discussion" following M. Burda, "Unemployment", *Economic Policy*, October, pp. 416-419.

LEVINE, L. (1969), *The Public Employment Service in Social and Economic Policy: Deliberations of a Working Party*, OECD, Paris.

LJUNGQVIST, L. and T. SARGENT (1995), "The Swedish Unemployment Experience", *European Economic Review*, May, pp. 1043-1070.

MoF – Danish Ministry of Finance (1998), *Availability Criteria in Selected OECD Countries*, Working Paper No.6, Ministry of Finance, Copenhagen (www.fm.dk/udgivelser/publikationer/criteria_oecd_1998).

MoF (1999), *The Danish Economy – Medium Term Economic Survey*, Ministry of Finance, Copenhagen (www.fm.dk).

MoL – Danish Ministry of Labour (1999), *The Labour Market Reforms – A Status*, Ministry of Labour, Copenhagen (www.am.dk).

MURRAY, I. (1995), *Desperately Seeking… A Job: A Critical Guide to the 1996 Jobseekers Allowance*, Unemployment Unit, London.

OECD (1963), *Labour Market Policy in Sweden*, Paris.

OECD (1971), *Manpower Policy in Belgium*, Paris.

OECD (1990), *Employment Outlook*, July, Paris.

OECD (1994*a*), *Employment Outlook*, July, Paris.

OECD (1994*b*), *The OECD Jobs Study, Evidence and Explanations*, Part II, Paris.

OECD (1996*a*), *The Public Employment Service: Denmark, Finland, Italy*, Paris.

OECD (1996*b*), *The Public Employment Service: Austria, Germany, Sweden*, Paris.

OECD (1998), *The Public Employment Service: Greece, Ireland, Portugal*, Paris.

OECD (1999), *The Public Employment Service in the United States*, Paris.

OFDE (1999*a*), *Etude d'évaluation des ORP: Rapport final*, OFDE Contributions à la politique du marché du travail No.14, Berne (www.orp.ch).

OFDE (1999*b*), *Examen de la structure de caisses (sous-mandat 1): Rapport final*, OFDE Contributions à la politique du marché du travail No. 16, Berne.

RÄISÄNEN, H. and H. SKOG (1998), *Towards a Better Functioning Labour Market: Senior Government Advisors' Report for the Reform of the Labour Market Policy System*, Ministry of Labour, Helsinki.

RICCA, S. (1982), *Les Services de l'Emploi: Leur Nature, Leur Mandat, Leurs Fonctions*, ILO, Geneva.

VAN DEN BERG, G., B. VAN DER KLAAUW, B. and J.C. VAN OURS (1999), "Punitive Sanctions and the Transition Rate from Welfare to Work" (version of February 1999 on mail.tinbinst.nl/~klaauw/sancrww.htm), Tinbergen Institution, Amsterdam.

VISSER, J. and A. HEMERIJCK (1997), *"A Dutch Miracle": Job Growth, Welfare Reform and Corporatism in the Netherlands*, Amsterdam University Press, Amsterdam.

MONITORING AND ASSISTING ACTIVE JOB SEARCH

Patricia M. Anderson[1]
Department of Economics, Dartmouth College, USA (patty.anderson@dartmouth.edu)
and NBER

1. Introduction

While unemployment insurance (UI) programs are often thought of mainly as just that, insurance for the unemployed, in reality an important component of many programs is assisting claimants in becoming reemployed. This assistance can take the form of either a carrot, a stick, or both. Examples of carrots include such services as job counseling, help preparing resumes and job-search plans, providing access to job listings, offering a reemployment bonus or targeted wage subsidies, helping individuals to become self-employed, and arranging training. Examples of sticks include such requirements as registration with the employment service, compulsory work search, acceptance of job referrals, and mandatory participation in job counseling and other services. This review will focus mainly on the United States, where since each state administers their own, separate, UI program, the range of approaches to job-search assistance and monitoring is well illustrated. Some discussion of the job-search component of the recently reformed US welfare system and Canadian Employment Insurance system will also be provided. Before delving into the details of these systems, though, it is worthwhile to briefly review the main approaches of OECD Member countries.

Reponses to an OECD questionnaire indicate that out of 28 countries seven, Australia, Iceland, Korea, the Netherlands, Switzerland, the United Kingdom and the United States, give claimants a specified frequency of contacts that have to be made. This is usually from about four to eight required contacts per month, although other job preparation activities such as counseling or training sessions may often count. Most other OECD countries either have no requirement for reporting independent job search, or conduct only relatively infrequent reviews of job-search activity.[2]

The range of approaches taken toward monitoring and assisting job search across these countries indicates that there is currently no agreement on the best method. Thus, it is clearly worthwhile to take a closer look at the different methods in use, and at the resulting differences in outcomes. The rest of the paper, then, is organized as follows. Section 2 provides a brief introduction to the UI system in the United States, followed in Section 3 by a closer look at the range of state laws on active job search. Section 4 discusses the differing levels of enforcement of these laws, including the role of developing technologies for remote claims filing. Section 5 reviews the demonstration (*i.e.* experimental) programs and evaluations that have focused on the effect of differing approaches to job search and monitoring. Section 6 expands the discussion to non-UI-specific job-search programs – in particular the recent welfare-to-work initiatives. Section 7 then turns the focus on Canada, reviewing job-search assistance measures both in the revised EI program, and in an experimental program for welfare recipients. Section 8 concludes.

2. Overview of the US unemployment insurance system

The UI system in the United States was created by the Social Security Act of 1935.[3] This act put in place the basic framework of a federal-state partnership that remains to this day.[4] In general, each state implements and administers its own UI system, subject to some federal guidelines and requirements.[5] Originally, there were just 12 federal requirements, mostly related to ensuring that the program would be solvent, would service only the unemployed, and would maintain the rights of claimants. Starting in the 1980s more specific requirements began to be mandated to state agencies. Most notable for this review are federal requirements for work search monitoring in the Extended Benefits program (which extends the time for which individuals can receive benefits in states whose unemployment rate exceeds a threshold) and a requirement for worker profiling to identify claimants in need of more intensive reemployment services. This latter requirement is discussed in more detail below. Despite this increase in federal requirements, the states still maintain quite a bit of latitude in setting benefit levels, in devising initial and continuing eligibility requirements, and in the day-to-day administration of the program.

Another important aspect of the federal-state partnership is the relationship between the UI system and the Employment Service (ES). The ES was initially created by the Wagner-Peyser Act of 1933, prior to the creation of UI.[6] Today, the ES plays a vital role in implementing the active work search requirement of many UI systems. In most states, claimants are required to register with the ES as an indication of the ability and availability for work. If claimants do not register, or fail to respond to a job referral, the ES will notify the UI office for possible disqualification from benefits. Additionally, the ES has traditionally been the major provider of job referrals, counseling, testing and job development services for UI claimants. This role is currently somewhat in flux, as The Workforce Investment Act (WIA) of 1998 establishes that states must make available job services through a One-Stop Delivery system (see USDOL, 1999*a*). Core services provided by the One-Stop system include information on UI claims filing, job-search assistance and other reemployment services to UI claimants. Additionally, the new One-Stop system will be charged with assisting in verification of the able and available and active work search requirements of the UI system.

The WIA thus consolidates a number of employment and training programs into the One-Stop system (see USDOL, 1998*a*). As a result the One-Stop system will be important for assisting the job search of not only the average UI recipient, but also displaced workers (this term includes UI recipients who have been laid off and are "unlikely to return to a previous industry or occupation"[7]) and other individuals seeking employment. In particular, there will be a focus on harder-to-serve groups such as adult, dislocated (*i.e.* permanently laid-off) workers, disadvantaged youth and welfare recipients embarking on the Welfare-to-Work program. Overall, the WIA reflects the current emphasis on employment over pure income support in US social insurance programs.

3. Overview of state UI laws relating to job search

All states require that UI claimants be "able to and available for" work, although the states do differ on what type of work the individual must be able and available for. As part of this requirement states require claimants to register with the state employment service. In most states, however, this registration does not constitute a sufficient work search effort. According to USDOL (1999*b*), all but nine states have a requirement for actively seeking work. However, directly checking information provided for claimants on state UI system web sites reveals that five of these nine states do list the need for an active work search among their eligibility requirements. Most states, though, exempt some claimants from the active search requirement. Exempt classes tend to include those workers with a definite recall date within certain period – often around four to six weeks, as well as

workers who use a union hiring hall (*i.e.* the union makes referrals to job openings for its members). For those claimants who are not exempt from the search requirement, what constitutes an active job search differs across states. In some states, no specific number of contacts is required. Rather, there is some discretion based on individual circumstances. For example, Colorado regulations state that "In determining the adequacy of work search in terms of the number of contacts required, the Division shall consider, but not be limited to a consideration of, the employment opportunities in the claimant's labor-market area, the qualifications of the claimant, and the normal practices and customary methods for obtaining work".[8] Other states specifically mandate a minimum number of weekly contacts – often around two or three. Additionally, many states allow claimants to substitute other employment enhancing activities, such as participation in job counseling. For example, Washington regulations state that "At a minimum, you must: *i)* Make job search contacts with at least three employers each week; or *ii)* Participate in a documented in-person job search activity at the local employment center."[9] Generally, even states with specific requirements on contacts allow for some flexibility. Thus, Washington regulations continue to note that "Based on your individual circumstances, such as your occupation, experience, or labor market area, the department may issue you a directive requiring more than three employer contacts a week."

Table 1 summarizes the states' positions on whether some type of active job search is required. In order to ensure that claimants are searching, many states require that claimants maintain detailed documentation of the search. Thus, Table 1 also provides information on whether states require such documentation. This documentation most often takes the form of a job-search log listing at a minimum the name, address and phone number of the contacted employer, the contact type (*i.e.* in person, by phone, mail, etc.), and the result of the contact. Even for states that require claimants to maintain such a log, the verification of job contacts is far from complete. As shown in the final column of Table 1, only one state, Oklahoma indicates that it verifies the work search documentation weekly. The others mainly either verify documentation for just a sample of claimants, or use discretion in determining when verification is necessary.

A final category of claimants is afforded special attention – those likely to exhaust their benefits. Beginning with the passage of Public Law (PL) 103-152, every state is required to implement a Worker Profiling and Reemployment Services System (WPRS). Thus, all states have developed a statistical model for predicting which claimants are most likely to have difficulty becoming reemployed, and hence to exhaust benefits. Claimants fitting this "profile" are required to participate in additional job-search assistance services. The types of services required typically start with a mandatory orientation session, which includes a discussion of the services available and of the requirements for the use of these services, as well informing claimants of the potential for loss of benefits if the requirements are not met.[10] Over half the states also require claimants to participate in a group workshop. A major topic of such workshops is job-search methods, along with resume preparation, labor market information and exploration of career alternatives. Less frequently, such workshops provide testing for skills and interests. Around three-quarters of the states also require these claimants to meet individually with a staff member. At this meeting an individual service plan is generally mapped out, and referrals to other services are made. Additional services that may be made available include assessment, counseling, job placement, a job-search workshop and training. The effectiveness of such programs will be reviewed below, in Section 5.

4. Enforcement of state UI laws

As noted in the previous section, verification of claimant job contacts varies by state. More generally, the strictness with which continuing eligibility is enforced varies greatly. All states do have an ongoing eligibility review program (ERP) through which job-search activities can be monitored.

Table 1. **Work search requirements and documentation, by state**

	Require active search	Require documentation	Frequency verify search
Alabama	Yes	Yes	Sample
Alaska	No	No	Not Specified
Arizona	Yes*	Yes	At Eligibility Review
Arkansas	Yes	Yes	Sample
California	Yes	Yes	Field Office Discretion
Colorado	Yes	Yes	Sample
Connecticut	Yes	No information	No information
Delaware	Yes	Yes	Sample
District of Columbia	Yes	No	Periodically
Florida	Yes	Yes	As deemed necessary
Georgia	Yes	Yes	Periodically
Hawaii	Yes	Yes	Periodically
Idaho	Yes	Yes	Sample
Illinois	Yes	Yes	As appropriate
Indiana	Yes	Yes	Sample
Iowa	Yes	Yes	Sample
Kansas	Yes	Yes	Sample
Kentucky	Yes	No	Sample
Louisiana	Yes	No	At Eligibility Review
Maine	Yes	Yes	As deemed necessary
Maryland	Yes	Yes	Sample
Massachusetts	Yes	Yes	Sampling every 6 weeks
Michigan	Yes	No	Not specified
Minnesota	Yes	No	Sample
Mississippi	No	No	Not specified
Missouri	Yes	Yes	When questioned
Montana	Yes	Yes	Not specified
Nebraska	No	Yes	As appropriate
Nevada	Yes*	Yes	At Eligibility Review
New Hampshire	Yes	Yes	As deemed necessary
New Jersey	Yes	Yes	At Eligibility Review
New Mexico	Yes	Yes	Sample
New York	Yes*	Yes	As appropriate
North Carolina	Yes	Yes	At Eligibility Review
North Dakota	Yes	Yes	Sample
Ohio	Yes	No	At in-person reports
Oklahoma	Yes	Yes	Weekly
Oregon	Yes	No	As deemed necessary
Pennsylvania	No	No	Not specified
Puerto Rico	No	No information	No Information
Rhode Island	Yes	No	Random with QC audits
South Carolina	Yes	Yes	Periodically
South Dakota	Yes*	Yes	Once per claim series
Tennessee	No	No	Sample
Texas	Yes*	Yes	Periodically
Utah	Yes	Yes	Sample
Vermont	Yes	Yes	Sample
Virginia	Yes	Yes	Sample
Virgin Islands	Yes	Yes	Bi-Weekly
Washington	Yes	No	Not specified
West Virginia	Yes	Yes	Sample
Wisconsin	Yes	Yes	At Eligibility Review
Wyoming	Yes	No	At Eligibility Review

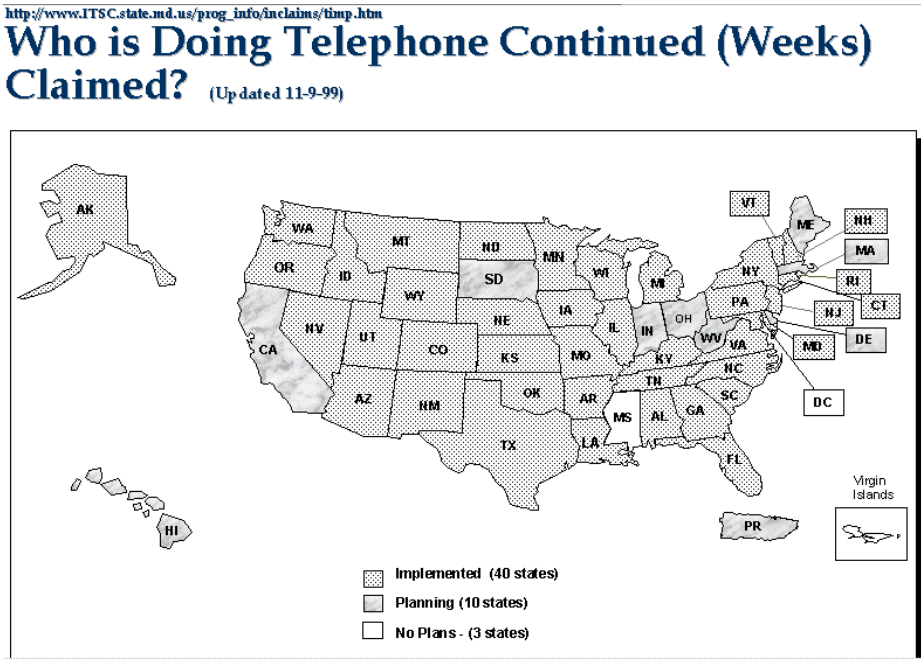
Source: Column 1 from USDOL (1999*b*), Columns 2 and 3 from USDOL (1998*b*) except * where this compendium reports "No" but information from the state indicates that an active job search is, in fact, necessary.

ERP interviews are scheduled based on information gathered on Eligibility Review Forms. As noted in ET Handbook 401, "This form includes eligibility-availability information from the claimant

indicating his/her proposed search for work". Based on this form, the UI office may schedule an initial ERP interview "if the claimant is in a demand occupation and still unemployed, if the claimant appears to need help in finding work, or if the claimant's benefit eligibility is suspect". A related concept is the Periodic Interview, wherein claimants are required to report for an interview after a certain length of time. These two different types of reviews are often jointly referred to as being part of the eligibility review system and failure to report for either type can result in being declared ineligible for benefits.

In most states, weekly benefits can now be claimed by telephone. Figure 1 illustrates the status of telephone weeks claimed (*i.e.* telephone procedures for the continuation of claims) by state. In all but 13 states, claimants can continue claiming benefits by calling a special phone system. In the absence of telephone claims, most states had relied not on office visits for continued weeks claimed, but on mailed claims forms. States have been slower to adopt remote initial claims processing. Figure 2 illustrates the status of remote initial claims by state. Note that in 17 states a claimant no longer has to apply for benefits in person, but rather can apply by phone, while another 12 states have partial implementation of such a process. Additionally, several states are implementing Internet claims service. In such an automated environment, the eligibility review process may take on more importance. Generally, the automated claims process is capable of flagging eligibility issues.[11] In many states, this flag triggers an instruction to call the local office, or the claimant may be automatically given an appointment to report to the local office. In other states, the claimant will later be notified by mail of a determination (*i.e.* notification to the benefit administration for a decision on a possible benefit sanction).

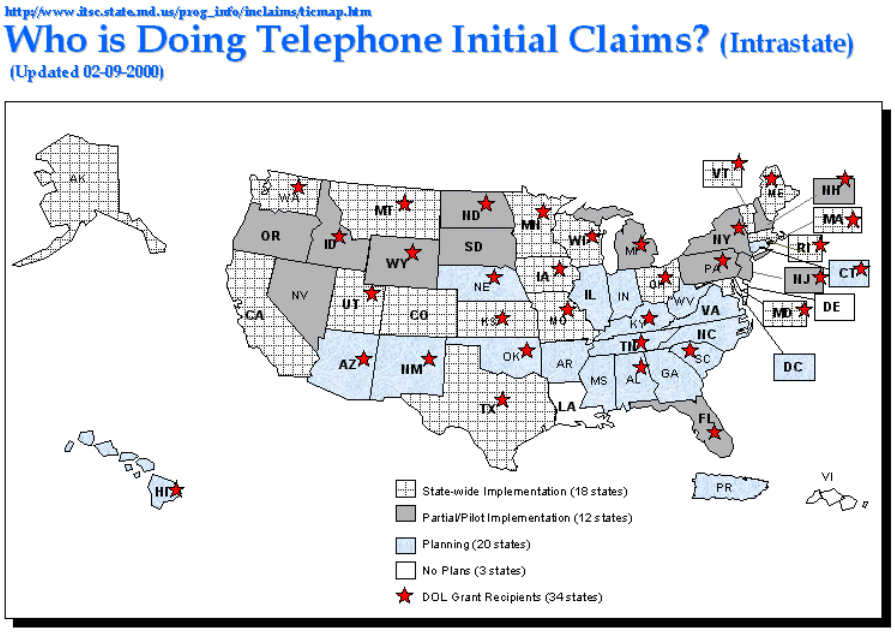
Figure 1. **Status of telephone weeks claimed, by state**

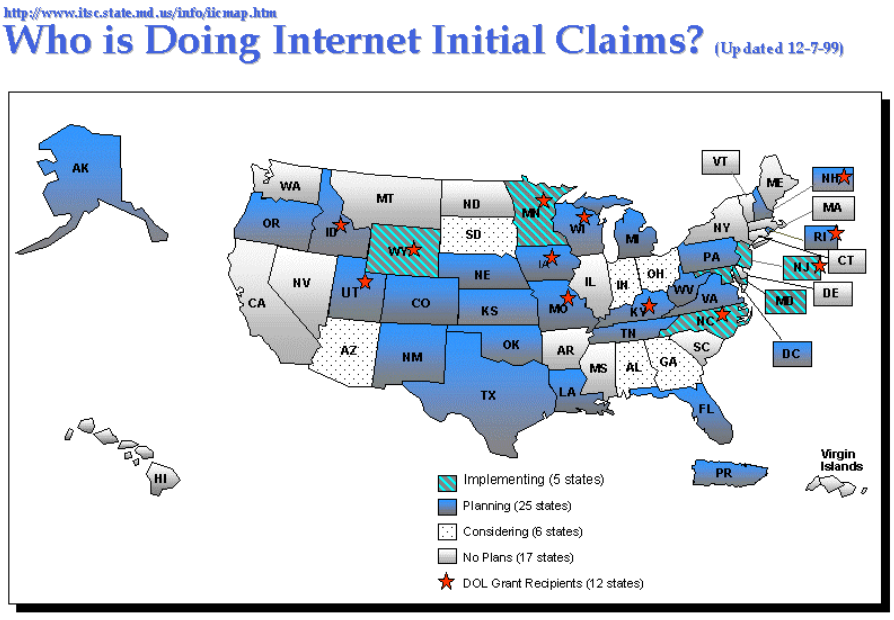


Notes: Implemented can range from a pilot program in one office to statewide implementation or partial implementation. Planning can range from talking about it to having a team in place working on it.

Source: The Information Technology Support Center (ITSC), available on the Internet at http://www.itsc.state.md.us/prog_info/inclaims/timp.htm

Figure 2. **Status of remote initial claims, by state**[a]





a. Implemented can range from a pilot program in one office to statewide implementation or partial implementation. Planning can range from talking about it to having a team in place working on it.

Source: The Information Technology Support Center (ITSC), available at http://www.itsc.state.md.us/prog_info/inclaims/ticmap.htm and http://www.itsc.state.md.us/info/iicmap.htm.

When an eligibility issue arises and a determination is made, a record is filed with the US Department of Labor (USDOL). For this recording purpose, issues of able and available for work and of active job search are categorized together. Table 2 reveals the wide disparity across states in the number of determinations made. This is true both for nonseparation issues overall, and for job-search-related issues specifically. With telephone weeks claimed, the question of job-search monitoring becomes more interesting. In a state such as California, which currently has claimants mail in a continuing claim form, that form includes the job-search log. For most states using telephone weeks claimed, the claimant remains responsible for maintaining an accurate job-search log, but will only need to present this log during an eligibility review interview. Only in Virginia are claimants expected to speak the job contacts to the automated voice response unit (VRU). In most states, though, the VRU will inquire as to whether the claimant has carried out an active search, and will initiate the determination process if the claimant indicates that no search has taken place.

Given the fact that some states previously would have had a written record of job search on a weekly or bi-weekly basis, it would be interesting to know if the move to telephone weeks claimed has affected the stringency of job-search monitoring. While studies of the effect of telephone initial claims processing have been carried out, there do not appear to be any studies of the impact of telephone weeks claimed. Table 3 thus presents a very crude attempt to ascertain if states with telephone weeks claimed are less likely to raise issues about active job search. Based on Figure 1, I can determine for each of the 53 states whether telephone claims processing has been implemented. Alternatively, for 48 of the states I know the fraction of continued claims filed by telephone for a small sample over the period July 1998 to June 1999.[12] Additionally, I have data on nonseparation determinations by category for each state in 1999. Thus, I run a regression of the rate of determinations for job-search-related issues per 1 000 contacts (these are mainly weeks claimed) on either a dummy for telephone weeks claimed or the sample percentage of weeks claimed by telephone. While using a rate per 1 000 claimant contacts controls for the size of the state, there are still likely to be across-state differences in the probability of a determination that are unrelated to the claims process. Thus, an alternative model also includes the rate per 1 000 contacts of total determinations in categories of violations that are easily detected, and thus unlikely to be affected by the claim method. Here, I chose the sum of "reporting" and "profiling" determinations. These refer mainly to cases where the claimant did not show up when scheduled to report or to participate in extra activities after profiling. Even though these events are easily detected, states have leeway on whether to begin the determination process or simply to give a warning. Thus, including this variable seems to be a reasonable way to try to capture cross-state differences in the strictness with which rules are enforced.

In the first column, we see states that have implemented telephone weeks claimed are less likely to make determinations for job-search-related issues, but the point estimate of a decline in the rate of determinations of 1 per 1 000 contacts is not statistically significant. The results from column (2) are of a similar magnitude, and are also insignificant. In columns (3) and (4), the results are slightly larger after controlling for the state tendency to make determinations – implying a decrease in the rate of determinations of about 2 per 1 000 contacts, corresponding to about a one-fifth fall in total determinations for the average US state. However, these point estimates are at best significant at about the 20% level. Given the very crude nature of the exercise, it is perhaps not surprising that precise effects cannot be estimated, but these simple regressions do seem to indicate that a move to telephone claims may reduce the effectiveness of job-search monitoring. Interestingly, only 12 states indicated in a 1995 survey that they felt telephone weeks claimed had an impact on eligibility issues created or detected.[13] Of these, several indicated that fewer eligibility issues were created, since problems in areas such as errors in claiming and late filing were ameliorated by the ease of filing by telephone compared to paper claims.

Table 2. **Determinations for non-separation reasons, 1999, by state**

	Claimant contacts	Total determinations	Total per 1 000 contacts	Job-search-related determinations	Job-search-related per 1 000 contacts
AK	877 651	28 521	32.5	15 090	17.2
AL	1 675 781	104 138	62.1	12 011	7.2
AR	1 491 563	28 704	19.2	10 216	6.8
AZ	1 326 251	43 642	32.9	17 112	12.9
CA	21 523 330	1 167 643	54.3	395 919	18.4
CO	937 631	49 247	52.5	9 265	9.9
CT	1 879 060	47 349	25.2	16 377	8.7
DC	409 251	2 372	5.8	905	2.2
DE	333 787	2 953	8.8	771	2.3
FL	4 018 712	40 504	10.1	18 810	4.7
GA	2 016 501	25 017	12.4	13 382	6.6
HI	659 895	22 220	33.7	9 536	14.5
IA	1 088 035	22 076	20.3	9 681	8.9
ID	721 329	27 177	37.7	4 273	5.9
IL	6 142 936	117 137	19.1	30 116	4.9
IN	1 674 883	35 038	20.9	9 955	5.9
KS	894 452	24 750	27.7	11 161	12.5
KY	1 493 703	6 797	4.6	3 189	2.1
LA	1 452 199	38 635	26.6	8 500	5.9
MA	3 837 560	111 058	28.9	13 575	3.5
MD	1 698 325	153 810	90.6	29 265	17.2
ME	567 692	24 766	43.6	4 287	7.6
MI	4 806 351	98 353	20.5	19 377	4
MN	1 806 687	29 788	16.5	7 260	4
MO	2 352 461	96 070	40.8	52 543	22.3
MS	1 062 337	28 702	27	21 216	20
MT	429 184	8 955	20.9	3 852	9
NC	3 383 288	78 902	23.3	38 087	11.3
ND	235 111	8 148	34.7	1 508	6.4
NE	433 872	16 775	38.7	2 354	5.4
NH	200 591	10 025	50	2 703	13.5
NJ	5 271 792	86 296	16.4	37 485	7.1
NM	617 420	8 781	14.2	3 624	5.9
NV	1 105 705	16 062	14.5	5 292	4.8
NY	9 165 213	185 377	20.2	37 063	4
OH	4 056 278	68 581	16.9	26 808	6.6
OK	802 683	18 436	23	3 274	4.1
OR	2 566 171	63 064	24.6	28 543	11.1
PA	8 109 956	338 014	41.7	22 878	2.8
PR	2 767 152	44 437	16.1	7 003	2.5
RI	782 203	15 557	19.9	6 482	8.3
SC	1 565 148	11 014	7	4 084	2.6
SD	120 067	5 284	44	2 971	24.7
TN	2 410 213	8 049	3.3	2 530	1
TX	6 902 404	161 136	23.3	74 190	10.7
UT	600 512	20 062	33.4	7 601	12.7
VA	1 363 936	21 300	15.6	9 582	7
VI	28 621	316	11	84	2.9
VT	306 868	5 277	17.2	1 785	5.8
WA	4 474 956	65 592	14.7	28 733	6.4
WI	3 076 246	133 861	43.5	28 716	9.3
WV	877 536	11 355	12.9	6 265	7.1
WY	184 825	6 701	36.3	2 590	14
US	128 586 314	3 793 824	29.5	1 139 879	8.9

Source: Cindy Ambler of the USDOL, Employment and Training Administration, UI Service.

Table 3. **The effect of telephone weeks claimed on the rate of job-search-related determinations**

	(1)	(2)	(3)	(4)
Have telephone weeks claimed	-0.970		-1.867	
	(1.742)		(1.675)	
	[0.580]		[0.270]	
Percentage of weeks claimed by phone		-0.011		-0.024
		(0.019)		(0.019)
		[0.570]		[0.211]
Rate of "easily-detected" determinations[a]			435.103	444.579
			(160.057)	(169.494)
			[0.009]	[0.012]
Adjusted R-square	-0.0135	-0.0145	0.0994	0.1005
Number of observations	53	48	53	48

Statistical significance: standard errors in parentheses, p-values in square brackets.
a. "Easily-Detected" Determinations are defined as those for failure to report and for failure to participate in profiling activities.

5. UI demonstration projects and evaluations

The importance of the reemployment function of the UI system is illustrated by the number of demonstration projects and evaluations that have focused on testing the effectiveness of different services. These services fall generally into two categories – different methods for assisting job search and different methods for monitoring job search. Table 4 provides a brief summary of the key characteristics of eight different UI job search demonstrations and evaluations. The history of these demonstrations dates back over 20 years, when the Nevada Claimant Placement Program was begun, and continues to the present day as the Job Search Assistance Demonstration is currently being evaluated. Additionally a few other demonstrations have been carried out that are not discussed here due to flaws in the design or the evaluation.[14]

Table 4 shows that a common theme among the demonstrations evaluating alternate methods of job-search assistance is to test some type of job-search assistance workshop. These workshops vary in length from three hours to four days, but share common characteristics. Perhaps most importantly, the services provided are mandatory, and claimants risk losing benefits if they do not participate. Among those demonstrations testing alternate methods of job-search monitoring, both weaker and stronger oversights are implemented. In this way it is also possible to get a feel for the effectiveness of current work search rules. While the claimant populations examined by the demonstrations differ – most notably several of the experiments focus mainly on the hardest to reemploy – their random-assignment design still provides very useful information about the likely effectiveness of different programs.

Table 5 summarizes the impacts of the treatments on UI weeks claimed and on Reemployment Earnings.[15] In almost all cases, the effect on weeks claimed is in the expected direction. That is, increased monitoring or assistance reduces weeks receiving UI benefits, while reduced monitoring increases weeks receiving benefits. The largest decrease in weeks claimed is found for the Nevada Claimant Placement Program. Unfortunately, that is both the oldest demonstration and the least replicable. Of the more recent experiments, the one-week drop in weeks

Table 4. **Description of UI job search demonstrations and evaluations**

Program	Enrolment period	Treatments	When 1st contacted	Population examined
Nevada Claimant Placement Program	February 1977 to March 1978	More staff attention and more referrals, weekly interviews and eligibility checks, all services from same ES/UI team which coordinated their efforts.	After 3rd UI payment	Eligible claimants
Charleston Claimant Placement and Work Test Demonstration	February 1983 to December 1983	3 treatments, all 3 were required to report to ES and were monitored: 1) 2 enhanced placement interviews and a 3-hour job-search assistance session required after 4 weeks of UI; 2) 2 required interviews only; 3) 1 required interview only. The control group was not subject to usual ES reporting requirement.	After 1st payment	Mass layoff claimants excluded
Wisconsin Eligibility Review Pilot Project	March 1983 to August 1983	6-hour job-search workshop conducted by ES staff; also tried 3-hour job-search workshop	80% when first filed, 20% at first ES interview (approximately 6 to 9 weeks after claim)	Claimants indefinitely separated from most recent job
New Jersey UI Reemployment Demonstration	July 1986 to June 1987	Periodic contacts with ES required along with job-search workshop of 5 half-days plus one-on-one session.	Approximately 5 weeks after claim filed	Excluded those under 25, those with a definite recall date, members of unions and hiring halls, and those with tenure less than 3 years
Washington Alternative Work Search Experiment	July 1986 to August 1987	3 treatments: 1) exception reporting based on the honor system. UI payment sent unless office told to stop; 2) similar to control group, but group eligibility reviews and follow-ups had different emphasis; 3) intensive work search assistance with 2-day job-search workshop	At interview following claim filing	All eligible claimants

Table 4. **Description of UI job search demonstrations and evaluations *(cont.)***

Program	Enrolment period	Treatments	When 1st contacted	Population examined
Utah Quality Control Program Improvement Study	January 1989 to December 1989	3 treatments: 1) informed that the 2 documented employer contacts would be verified; 2) required to make 4 documented contacts; 3) advised to seek work, but no required contacts or documentation	At interview during initial claim filing	Non-deferred claimants
Maryland UI Work Search Demonstration	January 1994 to December 1994	4 treatments: 1) increase required documented employer contacts from 2 to 4 per week; 2) require 2 contacts per week, but with no documentation required; 3) added requirement to attend a 4-day job-search workshop; 4) informed that the 2 documented employer contacts would be verified	At interview during initial claim filing	Individuals filing initial claims who were not part of a mass layoff and who had a work search requirement. Thus, for example, union members, those on temporary layoff and those in approved training programs were excluded.
Job Search Assistance Demonstration	In DC: June 1995 to June 1996 In Florida: March 1995 to March 1996	3 treatments: 1) required participation in orientation, testing, a job-search workshop and a one-on-one assessment interview; 2) required participation in an orientation and one-on-one assessment interview to develop a service plan; 3) all of 2) plus a discussion of local training opportunities.	Around week 7 after initial claim	Targeted at likely exhaustees, so first excluded: interstate claims, transitional claims, labor disputes, union hiring hall, temporary layoffs, partial payments, late first payments, and those living > 21 miles from local office. Second, applied profiling model and those with probability > .4 (Florida) or > .6 (DC) of exhausting were included.

Sources: Meyer (1995, Tables 4*a* and 4*b*) for the first five demonstrations and Peck (1991), Klepinger *et al.* (1998) and Decker *et al.* (1999) respectively for the sixth, seventh and eighth demonstrations.

Table 5. **Effects of job search demonstrations on UI weeks claimed and reemployment earnings**

Demonstration (control group means) treatment	Weeks of UI		Earnings in 1st, 2nd or 3rd full quarter after claim
	Without regressors	With regressors	
Nevada Claimant Placement Program			
(12.4 weeks in first spell)			
1) More attention	-3.90	n/a	n/a
	(0.41)		
Charleston Claimant Placement and Work Test Demonstration			
(15.5 weeks in 1st 6 months, USD 1 369 in 2nd quarter)			
1) 2 interviews + job-search session	-0.70	-0.76	131
	(0.39)	(0.38)	
2) 2 interviews only	-0.50	-0.61	145
	(0.37)	(0.36)	
3) 1 interview only	-0.50	-0.55	38
	(0.38)	(0.37)	
Wisconsin Eligibility Review Pilot Project			
(16.4 weeks over about one year)			
1) Job-search workshop	-0.62	n/a	n/a
	(0.43)		
New Jersey UI Reemployment Demonstration			
(17.9 weeks in benefit year, USD 2 507 in 3rd quarter)			
1) 2 interviews + job-search session	-0.50	-0.47	101
	(0.25)	(0.24)	(82)
Washington Alternative Work Search Experiment			
(14.5 weeks in benefit year, USD 2 019 in 1st quarter)			
1) Exception reporting	n/a	3.34	-31
		(0.29)	(63)
2) Tailored work search	n/a	0.17	54
		(0.30)	(64)
3) Intensive assistance	n/a	-.47	36
		(0.28)	(60)
Utah Quality Control Program Improvement Study			
1) Verify Contacts	approx. –1	n/a	n/a
2) Additional Contacts	approx. –1	n/a	n/a
3) No Documentation	more than +1	n/a	n/a
Maryland UI Work Search Demonstration			
(11.9 weeks in benefit year, USD 2 341 in 3rd quarter)			
1) Additional Contacts	n/a	-0.7**	16
2) No Documentation	n/a	0.4*	98**
3) Workshop	n/a	-0.6**	-79
4) Verify Contacts	n/a	-0.9**	17
Job Search Assistance Demonstration			
(DC: 20.14 weeks in benefit year, USD 1 757 in 3rd qtr)			
(FL: 15.81 weeks in benefit year, USD 2 317 in 3rd qtr)			
1) Structured Job Search Assistance			
DC	-1.13	n/a	215
	(0.29)		(96)
FL	-0.41	n/a	-54
	(0.23)		(86)
2) Individual Job Search Assistance			
DC	-0.47	n/a	126
	(0.28)		(92)
FL	-0.59	n/a	-17
	(0.23)		(85)

Statistical significance: * significant at 10% ** significant at 5%
Source: see Table 4.

claimed for the Structured Job Search Assistance treatment of the Job Search Assistance Demonstration in DC is notable. While the DC control group had longer than average spells, this impact is still large enough to represent about a 5.6% drop in spell length. However, since the same treatment resulted in only a 2.6% drop in Florida, caution is clearly necessary before pointing to structured job-search assistance as a clear success. Nonetheless, given the focus on hard-to-reemploy claimants, the impact of this required participation in orientation, testing, a job-search workshop and a one-on-one assessment seems promising.

Among the demonstrations testing alternative monitoring approaches, the Maryland UI Work Search Demonstration is both the most recent and the most comprehensive. For these reasons it is worth examining the results in a bit more detail. First, dropping all monitoring of job search does increase the weeks claimed, but by less than half a week and the effect is only marginally significant.[16] At the same time, the most stringent monitoring method, wherein each of the normal two contacts per week was verified, resulted in almost a full week less of UI benefits. Taken together, these results imply that compared with an honor system, strict verification of job search would reduce weeks claimed by almost 1.5 weeks, an over 10% decline. Doubling the required number of job-search contacts (but maintaining the standard random verification scheme) also has a significant effect on the number of weeks claimed, a reduction of –0.7 weeks. While substantial, the increase in weeks claimed without monitoring remains small compared to the 3.34 week (23%) increase from the Washington Alternative Work Search Experiment. The Utah Quality Control Program Improvement Study, while not very detailed in its evaluation, is included in the table to shed light on this difference. Results from the Utah treatment dropping the monitoring requirement seem quite similar to those from Maryland. One possibility is that in Washington not only was work search not monitored, but also the claimant would continue to receive UI benefits unless the office was notified that a new job had been found. That is, there was absolutely no cost to continuing to claim UI benefits – not even a telephone call certifying eligibility was required. It thus appears that the very large increase in Washington was less the result of a lack of monitoring than of the automatic mailing of UI benefit checks.

Interestingly, in the Maryland study, those whose job search was not monitored had higher earnings in the 3rd quarter after the original claim than a control group. While not shown in Table 5, this treatment group was also significantly more likely to be reemployed in the first quarter after the claim, and was more likely to have returned to their previous employer. By contrast, the group whose contacts were verified were also more likely to be reemployed in the first quarter, but were significantly less likely to have returned to their previous employer. Similarly, the group who were required to make more contacts was more likely to be reemployed in the first quarter and somewhat less likely to have returned to their previous employer. This more rapid move to a new job does not seem to have translated into significantly higher earnings for the latter two groups, though. Rather, these claimants may have "settled" for the first job that met their minimum requirements, in order to avoid the costs of continued UI claims, while the group without monitoring (and hence with low costs of continued claiming) may have been a bit choosier. Overall, though, the differences in earnings across groups are very small – at most around USD 100 over a 13-week period. The idea that it is as much the cost of increased compliance, rather than the positive result of increased search, that leads to lower weeks claimed is a typical finding from both the job-search monitoring and job-search assistance demonstrations. However, neither of the increased monitoring treatments was found to have a significant impact on eligibility issues. The implication is that the decrease in weeks claimed is not due to claimants being kicked off the UI rolls. By contrast, those in the job-search assistance group were more likely to have eligibility issues raised and this decreased eligibility for benefits may partly explain any decline in receipt.[17]

The most recent of the evaluations of job search, the Job Search Assistance Demonstration, provides more evidence that the increased requirements for job search lead to a significant increase in

determinations and denials (there are usually denials of benefit for one week, in the case of job-search-related issues). While not shown in Table 5, the structured job-search assistance treatment in DC increased the determination rate by almost 37 percentage points, and increased the denial rate by almost 11 percentage points. Smaller, but still significant increases were found for Florida. Fairly similar increases were observed for the individual job-search assistance group. At the same time, though, the DC groups did not seem to be "settling" for jobs, as their earnings were higher than the treatment group. In Florida, however, there was no such increase, and the point estimates are negative. This demonstration also looked directly at job-search behavior, shedding more light on the relative role of costs and benefits. In neither state did either treatment significantly increase the number of hours spent searching per week. However, each did significantly increase the number of employers contacted per week, and the structured job-search assistance treatment significantly increased the number of referrals to job openings from the job service in both states.[18]

The promising results of the early job-search assistance demonstrations are likely responsible, at least in part, for the 1993 requirement that states implement a Worker Profiling and Reemployment Services System (WPRS). Additional evidence on the effectiveness of job-search assistance can be found in an evaluation of the WPRS in six states, which is summarized in Table 6. First, it is clear that the program does indeed increase the job-search assistance services received by the claimants. In New Jersey, for example, profiled claimants were 45 percentage points more likely to receive additional services beyond the profiling orientation meeting and received 1.35 more types of services. While the marginal impact on service receipt is small in some states, such as South Carolina, that tends to be due to high rates of receipt for all groups in those states. In most of the states, the increase in services resulted in fewer weeks of UI receipt. The declines are generally in line with those found from the job search demonstrations – ranging from about -0.20 in Kentucky to -0.96 in Maine. Only in South Carolina does there appear to be no effect at all. The probability of exhausting benefits is also generally lower, although the results here are more mixed. Finally, with the exception of Illinois we again see that with increased requirements, determinations increase. The final two panels of the table focus on employment and earnings. In general, the impacts here are small and mainly insignificant.

Overall, then, both the demonstrations and the evaluation of WPRS seem to indicate that there is indeed a role for increased job-search assistance and monitoring to reduce unemployment benefit spells. Most of the tested services decreased such spells by between a half and a full week. In general, though, there do not seem to be any large impacts on employment and earnings post-unemployment. This result indicates that any decrease in the reservation wage due to increased pressure to leave UI is small. Instead, there is some evidence that job-search efficiency is enhanced, with more contacts and job service referrals obtained. At the same time, though, there are indications that this increased efficiency is more in response to the increased cost of receiving benefits, rather than a result of having acquired better job-search skills.

6. Other job-search programs

While traditionally issues of job-search assistance and monitoring have been mainly the purview of the UI system, with the passage of reform legislation, the welfare system has joined in this concern. Under the rubric of "Welfare to Work" (WtW), employment has become a focus of the welfare system. In particular, many states have implemented a "Work First" program that emphasizes participation in job-search programs.[19] In some states, Work First mandates that after a fairly short time recipients must work to receive benefits. Such work may be unpaid or paid, subsidized or unsubsidized. Such states are considered to have a "work mandate" program. In other states, job related activities such as job search and training can substitute for mandated work. Such states are

Table 6. **Estimated impacts of WPRS on service receipt, UI outcomes, employment and earnings**

	Connecticut	Illinois	Kentucky	Maine	New Jersey	South Carolina
Impact on services						
At Least 1	9.50	21.91	n/a	28.15	44.56	1.22
Service	(0.49)	(0.31)		(1.36)	(0.27)	(0.25)
# of Types of	0.24	0.36	n/a	1.22	1.35	0.25
Service	(0.01)	(0.01)		(0.03)	(0.69)	(0.01)
Impact on UI outcomes						
Weeks of UI	-0.27	-0.53	-0.20	-0.96	-0.30	0.00
	(0.12)	(0.07)	(0.12)	(0.32)	(0.05)	(0.12)
Probability	-1.45	-0.06	4.19	-4.16	-1.44	0.78
Exhaust	(0.58)	(0.29)	(0.63)	(1.34)	(0.30)	(0.63)
Prob. of	N/a	-2.51	2.58	5.83	7.82	4.74
Determination		(0.34)	(0.34)	(0.01)	(0.30)	(0.64)
Impact on employment						
Quarter 1	0.68	-0.39	-0.01	1.35	-1.59	-1.21
	(0.62)	(0.41)	(0.67)	(1.41)	(0.31)	(0.69)
Quarter 2	-0.49	-1.03	-0.54	-0.19	-0.73	-0.81
	(0.060)	(0.45)	(0.068)	(1.35)	(0.031)	(0.66)
Quarter 3	-0.60	-0.20	-1.35	0.55	-1.84	-0.97
	(0.62)	(0.47)	(0.77)	(1.53)	(0.32)	(0.68)
Quarter 4	0.38	0.49	0.50	1.54	-1.92	-2.48
	(0.69)	(0.53)	(1.00)	(1.86)	(0.35)	(0.75)
Impact on earnings						
Quarter 1	43.12	-5.54	28.87	127.75	20.71	51.15
	(43.33)	(29.95)	(38.39)	(57.48)	(24.62)	(44.58)
Quarter 2	2.77	-33.17	38.55	96.97	128.36	0.28
	(44.90)	(34.52)	(39.84)	(69.04)	(24.19)	(40.45)
Quarter 3	-63.63	-47.57	-95.03	159.07	41.35	-75.44
	(50.00)	(38.22)	(48.28)	(83.09)	(26.23)	(43.67)
Quarter 4	51.39	-39.58	7.09	177.74	34.66	-129.99
	(57.46)	(45.17)	(64.00)	(101.24)	(28.69)	(48.88)

Source: Dickenson *et al.* (1999, Exhibits III-3, III-5 and III-10).

considered to have a "participation mandate" program. In either case, Work First operates on the principle that welfare recipients should embark on a job search upon first receiving assistance, if not before.

States implement their WtW job-search programs in many different ways. Many states now require job search as a condition of eligibility for welfare, similar to the case with UI. In some states, claimants must complete several weeks of job search before any cash benefits can be received. This is referred to as "up-front applicant job search". States also differ in the amount of assistance and monitoring provided. In some cases, the job-search component of Work First is implemented by simply telling claimants to look for a job, while monitoring their progress. In other cases, structured

assistance in the form of classes that prepare recipients to look for and find a job is provided. Research indicates that the former method is less effective than one that combines classroom instruction with a job search. At a minimum, most states provide a "resource room" containing such things as telephones, typewriters and job listings. When more intensive services are provided, they tend to include such things as instruction on filling in applications, preparing resumes and cover letters, identifying job leads, and interviewing. Typically, more basic topics such as proper work habits and attire, time management and goal setting are also covered. This is in contrast to the types of services usually provided to UI recipients, who by definition are familiar with the world of work.

Because of the relatively recent implementation of welfare reforms, many evaluations of the shift to Work First are still in progress. However, prior to the August 1996 passage of the Personal Responsibility and Work Opportunity Reconciliation Act, many states had obtained waivers to begin experimenting with more work-oriented welfare systems. One example is The Los Angeles Jobs-First GAIN Evaluation, which provides an opportunity to look more closely at a Work First program.[20] First, it is important to emphasize that the time limits implemented with welfare reform provide a strong incentive for job search, even without any assistance and monitoring programs. In the GAIN Evaluation, for example, staff emphasized to enrollees that the State of California would soon be limiting welfare eligibility, possibly to just two years. The message was, "WORK IS IN, WELFARE IS OUT". Recognizing, though, that even the most job-ready welfare recipient is likely less prepared for job search than the most hard-to-place UI recipient, an intensive set of job-search assistance mechanisms was put in place, beginning with the program orientation. The orientation began with a six-hour group session, followed by individual appraisal. One goal of the orientation meeting was to increase enrollees' self-esteem prior to entering the job market.

Based on the appraisal meeting, enrollees are then assigned to job clubs. These job clubs were operated by the Los Angeles County Office of Education, and were designed to move participants into jobs quickly. The job clubs follow a three-week program, beginning with classroom sessions in the first week. These sessions include experience with sample job applications and with mock job interviews. At this point, enrollees are already expected to be looking for jobs on their own, and in fact, often some of the most job-ready would become employed before this first week of sessions was over. For the majority, however, these classroom sessions are followed by two weeks of supervised job search at job centers. These job centers provide enrollees access to telephones, typewriters, and a computer for use in their job search. In addition, a basic script for cold-calling prospective employers is given to each enrollee, who is expected to make at least 50 phone calls, obtain at least five job leads, and go on (or have scheduled) at least three interviews.

Job-search efforts continue to be supported beyond the job club activities. In particular, each Jobs-First GAIN office includes a "job developer" (from the Department of Public Social Services) whose job includes creating job lists and working to match enrollees with openings. An important role of the job developer is to build relationships with the local business community in order to find openings for inclusion on the job list. This aspect of the program is being sold to potential employers as a cost-free screening device. That is, the GAIN office promises that if the employer lists job opening, it will only refer qualified, motivated workers for them. At all times the staff continued to provide a "strong Work First message", and threatened to reduce welfare benefits if enrollees did not participate in activities without a good reason. Thus, as with UI, both carrot and stick approaches have been implemented to encourage job search among welfare enrollees.

The Work First approach appears to pay off. Welfare enrollees receiving Jobs-First GAIN services were 11 to 12 percentage points more likely to work for pay over the first year than were members of the control group. An increase in employment was found across all subgroups of the welfare population, including groups who would be expected to have trouble becoming employed,

such as those in the center city, those with no high school degree, those with no recent work experience and those who had been on welfare for a substantial amount of time. Interestingly, these positive results were obtained with relatively low participation in employment-related activities beyond the orientation. Only about 38% of the single parents attended such an activity, mostly by enrolling in the job club only. Among those who participated in post-orientation activities, about two-thirds found a job in that first year. At the same time, less than half of the nonparticipants found a job over that time period. Finally, as was the case with the UI experiments, sanctions were used liberally. About 70% of the experimental group had a sanction proceeding initiated in the first year, although only about 20% had an actual reduction in their benefits as a result.

Overall, then, the new Work First approach to welfare, which replaces a focus on basic education, represents another major force involved in job-search assistance and monitoring. This is likely one reason for the passage of the Workforce Investment Act of 1998, which consolidates job-search and training functions into One-Stop service delivery.[21] These One-Stop centers are expected to provide a range of services including initial assessments, career counseling, information on training, as well as UI claims filing and assistance in establishing eligibility for Welfare-to-Work. In terms of job-search assistance, these centers will include such things as computers to access on-line job listings (for example America's Job Bank), provision of other labor market information, group counseling, and assistance in the development of individual employment plans.

7. Brief overview of Canadian programs

Canada has recently reformed its unemployment insurance system, creating the new Employment Insurance (EI) system in July of 1996. This system changes the focus of the program from basic income support to active employment measures.[22] Similar to the case in the US, claimants must look for work, including checking the job bank. They must keep a record of these contacts and that record may be checked. In addition, the new EI system includes active re-employment benefits and support measures. These re-employment benefits are intended for the hard-to-employ and include such things as targeted wage subsidies and job creation partnerships.

There are several job-search assistance services available to all EI claimants. Self-service kiosks are available at many Employment Insurance offices (also known as Human Resources Centers of Canada or HRCCs) that allow claimants to get information on employment opportunities (local and nationwide), on what occupations are in high demand, on what skills are required for different jobs, and on other services and training opportunities available. There are plans for such kiosks to be available outside of HRCCs – in such places as public libraries and shopping malls. The self-help kiosks are designed to not only provide information, but to perform a basic counseling function. For example, "Choices" is a program available through the kiosk that helps individuals match their skills with occupations, while "Action Planner" helps them develop a step-by-step reemployment plan. Similarly, "First Steps" is designed to teach claimants how they can improve their job finding chances, while "Job Futures" provides information about future job trends. In addition to the self-help kiosks, individuals can access the Electronic Labor Exchange (ELE), either through the Internet or at an HRCC. The ELE allows individuals to enter their skills and experience, which are then matched with work opportunities that have been listed by employers. For those with access to the Internet, Canada WorkInfoNet (CanWIN) provides links to information similar to the self-help kiosks, to the ELE, and to other job-search services.[23]

The active Re-employment Benefits are designed for those who need more than these self-help services. Claimants can always request an interview with an HRCC staff member if they feel they need more help. If an initial interview indicates that the claimant may benefit from the additional

services, then a return-to-work Action Plan will be developed. Only individuals with an approved plan and a commitment to carrying out that plan are eligible for the Re-employment Benefits. Based on the individual's needs, different benefits may be offered. One possibility is a targeted wage subsidy to encourage hiring of the hard-to-employ. A related program provides targeted earnings supplements to encourage the taking of a low-wage job that provides experience and the chance to move up from there.[24] Another possibility is provision of self-employment assistance for those with a viable business plan.[25] The Job Creation Partnerships program is meant to help create jobs in areas with few labor market opportunities. Essentially, individuals would be assigned to paid work on special community projects. Finally, if it is determined that training would be most beneficial, it may be possible to receive a loan or grant to help pay for skill-upgrading.

In addition to the increased focus on employment embodied in the change from Unemployment Insurance to Employment Insurance, Canada has also been investigating bringing an increased focus on employment to the welfare system. The Self-Sufficiency Project (SSP) is a demonstration project undertaken among long-term, single-parent welfare recipients in New Brunswick and British Columbia. The main feature of SSP is an earnings supplement designed to "make work pay". However, the earnings supplement was only available for those finding jobs within a year of the offer, and then the supplement could only be received for three years. A subset of the SSP treatment group was also provided job-search (and other) services under the rubric of SSP Plus. The types of job-search services provided were similar in character to those used in the Work First programs in the US. For example, there were self-esteem workshops, job clubs and a resume service. Additionally, an employment plan was created for each individual, and staff provided job leads and job coaching.

The added job-search assistance appears to have had an effect. Compared to the SSP group, SSP Plus members were 17 percentage points more likely to take up the supplement offer, that is, to become employed within one year. Over that 12-month period, 51.7% of the SSP Plus group members were able to find a full-time job and collect the supplement. However, many of those receiving the supplement were unable to maintain continuous full-time work. Therefore, the number of individuals receiving the supplement in any given month was below the number that had ever qualified. In fact, by the fifth quarter of the follow-up period only 33% were in full-time employment, a statistically insignificant increase of 2.6 percentage points over the group not receiving the job-search assistance. As was the case in the Los Angeles Jobs-First GAIN Evaluation, participation in the job club was relatively low, at about 25%, but participation in developing an initial employment plan was fairly high – over 90%. Overall, then, the evidence from Canada is also that job-search assistance can help even long-term welfare recipients into employment.

8. Conclusions

Around the world the emphasis placed on job-search assistance and monitoring differs greatly. Increasingly, though, the focus of social insurance programs is turning from purely providing income support to encouraging reemployment through job-search assistance and monitoring. In the United States, the Unemployment Insurance system has always been centered on job search, and the welfare system has now followed suit. Similarly, Canada has recently moved to a revamped Employment Insurance system that stresses rapid reemployment, and is experimenting with more work oriented welfare programs. This paper has reviewed the different approaches to active-job-search monitoring taken by the separate UI systems run by each state in the US. While most of the states require an active job search, the number of required contacts, amount of documentation required, and the frequency of verification all vary significantly. There is also some indication that emerging

technologies allowing for remote claims processing may reduce the states' ability to monitor job search.

Evidence from demonstration and evaluation projects points to the importance of both job-search monitoring and job-search assistance in reducing the length of UI claims. Either more intensive monitoring or more demanding search requirements tend to reduce the length of claims by close to one week. At the same time eliminating verification of active job search seems to lengthen claims by one-half to one week. Similarly, provision of intensive job-search assistance, generally in the form of job-search workshops and individual assessments, appears to reduce claim length by about one-half to one week. The apparent success of these types of assistance programs has resulted in hard-to-reemploy claimants being required to take part in such services.

While reemployment has always been the main goal of the UI system, only recently has the welfare system turned its focus to Welfare-to-Work programs. Evidence from early experiences with Work First programs requiring active job search for benefit eligibility is relatively promising. Intensive support in the form of self-esteem enhancement, introduction to basic job-search skills, resource rooms and job clubs, have been shown to provide a significant increase in employment for even the hardest-to-employ groups of welfare recipients.

Not only in the US are new job-search monitoring and assistance programs being put into place. The newly reformed Employment Insurance System in Canada now has a clear focus on reemployment, including a full range of automated self-help services and new active reemployment benefits such as targeted web subsidies and self-employment programs. Additionally, enhanced job-search assistance for Canadian welfare recipients, similar to those offered by the Work First programs in the US is being evaluated. Overall, then, new approaches to active job search and monitoring being implemented in the US and Canada appear promising, and may provide useful information for other countries planning to move toward a social insurance system with a greater emphasis on reemployment.

NOTES

1. I would like to thank Cindy Ambler of the U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service for providing me with data and information.

2. See "Main Characteristics and New Challenges" in the Introduction to this volume for more details.

3. For a detailed history of the UI program, see Blaustein (1993).

4. See West and Hildebrand (1997) for a history of the federal-state partnership through the years. This paragraph is based upon it.

5. Throughout, "state" will refer to the 50 states, along with the District of Columbia, Puerto Rico and the Virgin Islands.

6. See Balducchi *et al.* (1997) for a complete discussion of the role of the Employment Service and its history. This section is drawn from their work.

7. Unemployed former self-employed people and displaced homemakers are also included in the WIA definition of displaced workers.

8. Colorado regulations can be accessed at http://unempben.cdle.state.co.us/regulation/regulation.pdf.

9. Washington regulations can be accessed at http://search.leg.wa.gov/wslwsr/1999/99-13/WSR%2099-13-002.htm.

10. Dickenson *et al.* (1999) provide a comprehensive evaluation of WPRS.

11. Information on the workings of the automated claims process is obtained from a survey of the states available at http://www.itsc.state.md.us/prog_info/survey/descript/dd.html.

12. Sample data on the fraction of continued claims that are filed by telephone come from the Benefit Accuracy Measurement Program, and were prepared by the UIS Division of Performance Review. See http://www.itsc.state.md.us/data_stats/conclaims.pdf.

13. See the survey of state experiences with telephone claims processing on http://www.itsc.state.md.us/prog_info/survey/descript/dd.html.

14. See Meyer (1995) for a full discussion of the reemployment bonus experiments in New Jersey, Pennsylvania and Washington. I do not discuss these since their focus was not on active job search but merely on reducing the disincentives of UI benefits. Additionally, discussion of the possibility of using such a bonus in the regular UI program seems to have come and gone.

15. The third treatment of the Job Search Assistance Demonstration is not presented since its marginal treatment was related to training, not job search.

16. Note that the treatment that dropped all monitoring of job search in the Maryland UI Work Search Demonstration did not drop the work search requirement – claimants were still required to certify that they were indeed searching. Rather, it just left claimants to follow an honor principle, rather than completing a job-search log.

17. The increases in the number of eligibility issues raised found in the Maryland demonstration also occurred in the earlier job-search assistance experiments.

18. Large increases in referrals to job openings were also found in Charleston and Nevada, with small increases in New Jersey and small decreases in Washington D.C.

19. See Holcomb *et al.* (1998) for a comprehensive review of work-oriented welfare reforms. This discussion draws from their review.

20. The discussion of California's GAIN evaluation here is based Freedman *et al.* (1999).

21. See "One-Stop Statecraft: Restructuring Workforce Development Systems in the United States" in Part 1 of this volume for a detailed discussion of the One-Stop system. Here I present some highlights based USDOL (1998*a*).

22. For more details on the EI system see the Human Resources Development Canada publications available from their web site at http://www.hrdc-drhc.gc.ca/ei/common/home.shtml. This discussion is based on these documents.

23. CanWIN can be found at http://www.workinfonet.ca.

24. Canada's targeted earnings supplements program is first being implemented on a test basis.

25. US federal law allows states to implement some form of self-employment program. This usually takes the form of waiving the search requirement and allowing a claimant to continue to receive UI benefits as the new business is being set up.

BIBLIOGRAPHY

BALDUCCHI, D. E., T. R. JOHNSON and R. M. GRITZ (1997), "The Role of the Employment Service", in C.J. O'Leary and S.A. Wandner (eds.), *Unemployment Insurance in the United States: Analysis of Policy Issues*, Kalamazoo, W.E. Upjohn Institute, MI.

BLAUSTEIN, S. J. (1993), *Unemployment Insurance in the United States: The First Half Century*, Kalamazoo, W.E. Upjohn Institute, MI.

DECKER, P. T., L. FREEMAN and D. H. KLEPINGER (1999), "Assisting Unemployment Insurance Claimants: The One-Year Impacts of the Job Search Assistance Demonstration", report submitted by Mathematical Policy Research to USDOL under Contract No. M-4361-00-97-30.

DICKENSON, K. P., S. D. KREUTZER, R. W. WEST and P. T. DECKER (1999), *Evaluation of Worker Profiling and Reemployment Services: Final Report*, Research Evaluation Report Series 99-D, USDOL, Employment and Training Administration.

FREEDMAN, S., M. MITCHELL and D. NAVARRO (1999), "The Los Angeles Jobs-First GAIN Evaluation: First-Year Findings on Participation Patterns and Impacts", Manpower Demonstration Research Corporation (available on the Internet at http://www.mdrc.org/Reports99/LA-GAIN/LA-GAIN1stYr.PDF).

HOLCOMB, A., L. PAVETTI, C. RATCLIFFE and S. RIEDINGER (1998), "Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States", report submitted by The Urban Institute to US Department of Health and Human Services under Contract No. HHS-100-95-0021, Delivery Order 10.

KLEPINGER, D. H., T. R. JOHNSON, J. M. JOESCH and J. M. BENUS (1998), "Evaluation of the Maryland Unemployment Insurance Work Search Demonstration", *Unemployment Insurance Occasional Paper 98-2*, USDOL, Employment and Training Administration.

MEYER, B. D. (1995), "Lessons from the U.S. Unemployment Insurance Experiments", *Journal of Economic Literature* 33(1), pp. 91-131.

PECK, J. (1992), "Utah Quality Control Program-Improvement Study Abstract – Effects of Differing Work-Search Requirements on UI Claims", *Unemployment Insurance Occasional Paper 92-4*, USDOL, Employment and Training Administration.

USDOL (US Department of Labor)(1993), *ET Handbook 401, 2nd Edition*, Employment and Training Administration (available at http://www.itsc.state.md.us/ui_manage/hdbk401/mascover.htm).

USDOL (1998*a*), "Implementing the Workforce Investment Act of 1998", Workforce Investment Act Implementation Taskforce Office (available at http://usworkforce.org/wpaper3.htm).

USDOL (1998*b*), *Compendium of State UI Operations, Organizations and Relationships,* Employment and Training Administration (available at http://www.itsc.state.md.us/ui_manage/COMPEND/toc.html).

USDOL (1999*a*), "The Workforce Investment Act of 1998 – Effect on the Unemployment Insurance Program", *Unemployment Insurance Program Letter No. 21-9,* Employment and Training Administration (available at http://peter.itsc.state.md.us/ui_manage/UIPLs/uipl-21.99.html).

USDOL (1999*b*), *Comparison of State Unemployment Insurance Laws,* Employment and Training Administration, Unemployment Insurance Service (available at http://www.itsc.state.md.us/ui_manage/uilaws/march99/cover99.htm).

WEST, T. E. and G. HILDEBRAND (1997), "Federal-State Relations", in C.J. O'Leary and S.A. Wandner (eds.), *Unemployment Insurance in the United States: Analysis of Policy Issues,* Kalamazoo, W.E. Upjohn Institute, MI.

FROM RESTART TO THE NEW DEAL IN THE UNITED KINGDOM

William Wells
Head of Economy and Labour Market Division
UK Department of Education and Employment

1. Introduction

The UK public employment service, the Employment Service (ES) and its administration of the unemployment benefit regime is the central feature of the active labour market system. This was also the case when the welfare state was established just after the Second World War. However, it was not always the case in the intervening period. From the end of the 1960s there was a gradual diminution of the labour market focus. In fact, between 1982 and mid-1986 there was no requirement to visit Jobcentres at all in order to receive unemployment-related benefits.

This paper considers the development of the system of labour market policies from the introduction in mid-1986 of Restart and the *stricter benefit regime*. This marked the reversal of the previous trend away from a labour market focus. Over the next decade there was a number of innovations that increased the work focus of benefits. These culminated in the introduction of a new unemployment-related benefit called the Jobseeker's Allowance (JSA) which remains the bedrock of the current active labour market system.

The current government has introduced two radical extensions to employment policies. First, there are the New Deals for the claimant unemployed that aim to end long-term unemployment; the New Deal for Young People and the New Deal for the Long Term Unemployed. Secondly, employment policies are being extended to cover economically inactive people of working age, particularly lone parents and long-term sick and disabled people on welfare. The challenge in helping these inactive people is different. It is necessary to get people back into the labour market before they can get into work.

In what follows Section 2 sets out some essential features of the UK labour market within which labour market policies have to work, highlighting particularly its diversity of job characteristics and employment and its dynamism. Section 3 draws out the implications for labour market policies. It sets out how they affect the Employment Service and how policies have developed since the mid-1980s. Section 4 presents some evidence that suggests that the UK approach has had a positive effect on unemployment, the ability to deal with recessions, the geographical distribution and the extent of long-term unemployment. Section 5 considers the new welfare to work initiatives of the current government and what evidence is available. Section 6 compares the UK approach with that of some other countries and considers the issue of *profiling*/early identification and *one stop shops.* Finally, Section 7 draws some conclusions.

2. Features of the UK labour market

A central feature of the UK system is its universal welfare state that has its closest counterparts in the Scandinavian countries in scope, if not generosity. The main components of the welfare state are universal public education and health systems, universal benefits for people of working age paid to people in respect of unemployment, sickness and disability, lone parenthood and people on low wages relative to their family circumstances (now paid in the form of tax credits). For people above retirement age there are universal pensions. For those in receipt of benefits, whether in or out of work, there are also benefits paid in respect of housing costs and local taxation.

The UK system contrasts with the social insurance principles of many EU countries such as France and Germany and the similar but more privately-based delivery system in the United States. In social insurance countries there are always supplementary social assistance or welfare systems. However, they are not as comprehensive, integrated or centralised as in countries with Beveridgean welfare states such as the United Kingdom. Social assistance in social insurance countries also tends to be less well regarded and at a lower level.

The United Kingdom's form of social protection and the relatively low level (although with more comprehensive coverage) of benefits in international comparative terms have implications for the tax regime. Much of the social protection system is paid for through general taxation. So social security contributions for employers and employees are relatively low. As employers' social security payments usually make up a large proportion of non-wage labour costs this is a major reason why non-wage labour costs are low. In the European Union, only Denmark has a lower level. However, it is not just the method of financing the welfare state that determines the size of the tax wedge. Despite its comprehensive welfare state, the size of the public sector in the United Kingdom tends to be lower than other EU countries, but not the United States or Japan. There is, therefore, less finance needed.

As social protection in the United Kingdom tends to be delivered through the benefit system there has traditionally been less of a role for regulation of terms and conditions in the labour market. Social protection tends to be focused on outcomes such as requiring behaviour that ensures health and safety or equal opportunities, rather than prescribing the method of achieving these outcomes. This is a long-standing tradition. For example, the United Kingdom has never signed up to any ILO convention on working time. This includes the very first one, Convention Number 1, established when the organisation was set up in 1919. Thus, although the previous government had a reputation for deregulation and there was some, it was not extensive general deregulation because there were few general regulations to abolish in the first place. However, there was unease that the previous government had gone too far. The current government believes that it is possible to combine this labour market diversity with decent minimum standards. It has, therefore, restored some basic minimum standards.

Diversity in labour markets

The lack of general regulation of terms and conditions in the labour market has tended to mean that there is, and always has been, a wide range of types and patterns of employment (Wells, 1992). The range of jobs in the United Kingdom is wider than in any other EU country and the concept of a *standard* or *typical* working week does not really exist in the United Kingdom. The range of hours worked is very wide with only 10-15% of employees working the modal number of hours of 40 hours per week. Similarly, the distinction between full- and part-time employment is somewhat artificial as there are no obvious dividing points. As well as great diversity of hours worked the United Kingdom

tends to do more shift, night, Saturday and Sunday work. A notable exception is that temporary work is less prevalent than in other parts of the EU.

The range of jobs available tends to enable a wider range of people to find a pattern of work that suits their individual circumstances. It is one of the reasons why the UK employment rate (the proportion of people of working age who are in employment) is amongst the highest in the world. In the EU it is second only to Denmark.

Diversity in product markets

Diversity in types of work available are accompanied by increasing diversity and decentralisation in the methods of production. Self employment is more prevalent than in the 1970s (although it has fallen back somewhat lately) and more generally enterprise and competition are now actively promoted. Alongside this, product market deregulation, international trade liberalisation, privatisation, trade union reform, contracting out and market testing have all made it possible for a larger group of economic agents to compete in both product and labour markets.

Increasing the relative power of "outsiders"

It is not, however, enough to have a wide range of jobs available if they are not open to people who are without work. Here policies have changed. The previous stance during the 1970s and early 1980s favoured the maintenance of employment of existing workers. Now, there are fewer barriers to market entry for the unemployed.

Subsidies in respect of existing employees such as the Temporary Employment Subsidy and the Short Time Working Compensation Scheme aimed to avoid redundancies. Industrial rescues, subsidies to nationalised industries and closed shops have a similar effect. By the mid-1980s such subsidisation of firms and employees had largely disappeared. Alongside this, there was also a belief that too onerous employment protection regulation for existing workers tended to prevent market entry by different workers and also retard competition. Thus, the qualifying period for unfair dismissal (for full timers), having been reduced from two years to six months in 1974, was increased to two years between 1979 to 1985. Again, the current government believed that this had gone too far and it is now set at one year.

As a consequence, it appears that the determinants of the level of unemployment have changed. During the 1970s the prevailing wisdom was that the increase in unemployment was largely due to an increase in the average duration of unemployment (see, for example, Layard *et al*., 1991). This is what you might expect if outsiders are excluded from jobs and job growth itself is sluggish. In contrast, during the 1980s and particularly since 1986 the level of unemployment has primarily been determined by inflows into unemployment. The increased competition in both product and labour markets may have had an effect in enabling more unemployed "outsiders" to get past the "insider" barriers and into jobs.

Increased employability and improved incentives.

There has also been some increase in the ability of individuals to take up jobs and firms to provide them. Education levels have improved substantially since the mid-1980s (although from a low

base) and the current government has placed great emphasis on raising education standards, particularly of basic skills and employability. For example, in 1986 37% of the population of working age had no qualifications. By Winter 1999/2000 this proportion had fallen to 16%. However, demand for unskilled personnel has also fallen over this period and this fall is likely to continue. Therefore, it may be necessary to improve just to stay in the same position.

On top of this, financial incentives to make work pay have been improved. Non-wage labour costs have traditionally been low but the United Kingdom is the only G7 country where they have fallen since 1980. Also, there has generally been a shift from direct to indirect taxation. This has meant that the direct tax wedge (direct taxation together with employer and employee social insurance costs) is amongst the lowest in the OECD. Thus, the gap between the total costs of labour and take-home pay tends to be lower in the United Kingdom than elsewhere.

There were also reforms of the distribution of the tax, social insurance and benefits so that it is generally true that people are better off in work. A National Minimum Wage has been introduced. Benefits have been uprated by prices rather than earnings since 1980. As real earnings have risen throughout the earnings distribution then the gap between earnings and benefits has grown. (The situation is complicated by the fact that housing costs have risen more than prices. These costs are usually paid in full on top of benefits. Hence, overall, benefits have risen in real terms.) Changes in taxes and recent reforms of National Insurance have also favoured the lowest paid. There have also been reforms of in-work benefits. Initially Family Credit was introduced and then the more generous Working Family Tax Credit (WFTC). The WFTC also promoted work by payment through the tax rather than the benefit system.

Social insurance changes and changes in wage determination may have helped employers to take on workers although partly at the expense of a widening of the earnings distribution. Employer's National Insurance payments have been reformed to reduce the costs of employing low paid workers. Also, over the past two decades, pay determination has become more decentralised and there are now more systems that link pay to performance. Tentative conclusions are that the relative pay movements may have been favourable in providing more job opportunities (Beatson, 1995; OECD, 1996*a*). However, they have also contributed to the earnings distribution becoming more unequal.

Dynamism in the labour market

The current government has restored as a central economic objective the achievement of high and stable levels of employment so that everyone can share in higher living standards and greater job opportunities. The current position is relatively favourable. The number of people employed is currently at its highest ever level at 27.8 million. However, because the population is also increasing record levels of employment do not mean that the employment rate is at record levels. Compared to previous cyclical peaks the employment rate at 74.3% (UK working age is 16-59 for women, 16-64 for men) is currently back up to 1979 peak but below the unsustained 1990 peak of 75.0%.

Employment rates are also well above the EU average in every region and in the vast majority of local authority districts within regions. Differences within regions are much greater than the differences between regions with all regions having areas of high and low employment, sometimes next to each other. There are a relatively small number of local authorities (20 out of 408) which have employment rates below the EU average. Six are in London, four each in North West, North East and Wales and two in Scotland. These districts are dominated by areas in or around major cities, particularly London and Liverpool, some ex-coalfield areas particularly in the North East and Wales and some seaside and coastal towns.

More importantly from the perspective of the public employment service Jobcentre vacancies come up all of the time (Figure 1). Over the past year around 2 ¾ million vacancies (just under 10% of the workforce) were notified to Jobcentres. Changes in the levels of employment are the net result of a large number of people taking up jobs and a large number leaving jobs. Numbers taking up work do not vary as much as numbers leaving work. Even in each of the recession years of 1991 and 1992 there were still around 2 million new Jobcentre vacancies. Yet, over the period employment fell by over a million because job losses rose substantially. Also, as well as Jobcentre vacancies there are probably twice as many vacancies from other sources such as newspaper adverts.

At a local labour market level there is a relatively even spread of vacancies across the country. In most Travel To Work Areas (TTWAs) vacancies notified to Jobcentres each year are around 7-15% of their workforce (Figure 2). Vacancy rates are not closely linked with whether employment is going up or down or whether employment is low or high. Again, Jobcentre vacancies might be a third of total vacancies.

All industries notify vacancies to Jobcentres. There is not a close link between the industry's share of vacancies and whether employment is growing in that industry or not. There is a much closer link between any industry's share of Jobcentre vacancies and its share of total employment. In terms of Jobcentre vacancies, distribution and hotel and catering industries are over-represented and public administration, health and education and, to a lesser extent, manufacturing are under-represented.

It is a similar story at an occupational level. Jobcentre vacancies cover a wide range of occupations. Again, there is not a close link between an occupation's share of Jobcentre vacancies and whether employment in the occupation is growing or not. Jobcentre vacancies are under-represented in managerial and professional occupations compared to the structure of employment. However, Jobcentre vacancies are more closely aligned with the occupations sought by the claimant unemployed as managerial and professional occupations are also under-represented amongst the claimant unemployed.

Figure 1. **Vacancies notified to Jobcentres and estimated total, 1980-99**

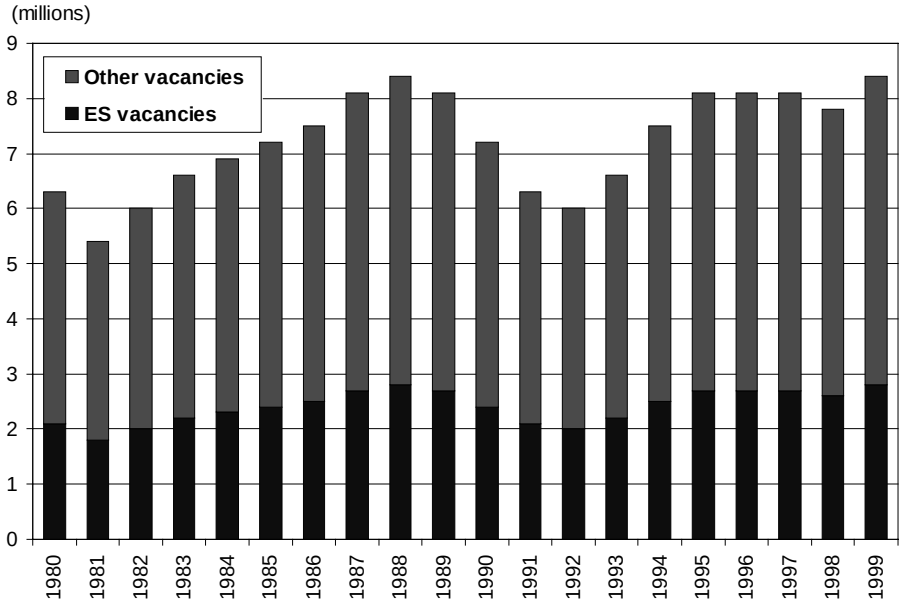
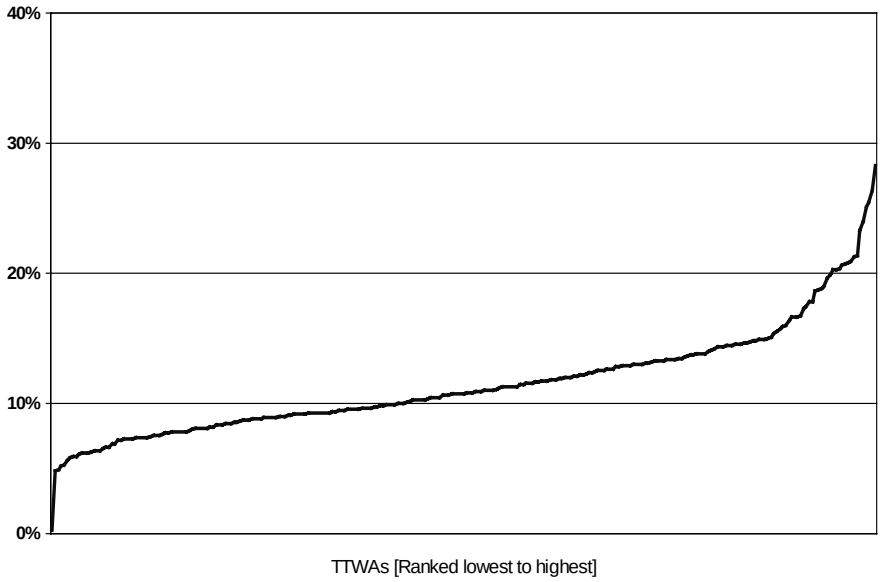


Figure 2. **Distribution of notified vacancies across the United Kingdom**



3. Developments in UK labour market policies

The justification for and establishment of a public employment service

The diversity and dynamism of the UK labour market at least affords the possibility that people who are without work need not be concentrated amongst certain groups. With all sorts of jobs coming up all of the time more people are likely to be able to find a type of work that suits their individual circumstances such as their domestic commitments and education. There is also the possibility that people will, relatively quickly, find a job that suits them and need not spend too long without work.

However, compared to the immediate post war period, society is less collective. It is more individualistic, more consumerist, more complex and more market based and driven. Society is now much more decentralised, diverse and heterogeneous. It is now a mosaic not a jigsaw. This is partly because of the onward march of the market that involves millions of individual transactions rather than a smaller number of collective decisions. It is also partly because new technology, mass communication and travel have shrunk the world. In such a society, information about how all the various bits fit together is an invaluable resource. Here, the provision of information aimed at bringing together people without jobs to jobs without people is crucial.

What is more, because of economies of scale and hence decreasing marginal costs, governments or other collective bodies have a distinct advantage in collecting that information and disseminating it universally. On top of this, information does not diminish when it is used. It can be used more than once without being reduced. Also, the marginal cost of provision is close to zero. This would again suggest government involvement in order to bear the costs of collection whilst generally providing the information free so that the economy can recoup the benefits of better resource allocation.

This classic market failure argument for state provision of labour market information is supplemented by the need to offset unintended side-effects of government policies. That is why, from the beginning, the British welfare state has incorporated what is now called the rights and responsibilities agenda.

For example, the Royal Commission on the Poor Law (1904-09) examined the case for unemployment insurance. The minority report, largely written by Labour Party luminaries Sydney and Beatrice Webb, advocated compulsory labour exchanges as a crucial counterbalance to any scheme of unemployment insurance. This view, with which Beveridge concurred, was partly based on an early example of evidence-based policy. There was a brief experiment with compulsory insurance in the Swiss canton of St. Gall which had failed because of the lack of adequate controls over claimant's availability or their willingness to work. Requirements of active job search and availability for work were maintained in the UK system and reproduced in the unemployment benefit system when the welfare state was set up in the late 1940s.

These factors remain the key reasons for maintaining a public employment service. In 1995 the conclusions of what was called a Prior Options Review of the Employment Service were announced by Michael Portillo the then Secretary of State for Employment. Abolition was ruled out, despite the then government's predisposition towards greater private sector involvement. Privatisation was not considered feasible. ES generated only a small revenue and any attempt to boost it by charging for placings would undermine the help for the unemployed. Strategic contracting out and market testing were also not considered feasible on a national scale because there was no current capacity to provide all ES functions nation-wide.

The over-riding factor behind these conclusions was the need to maintain the links between job-broking and benefit administration. As the report concluded:

The strong links between benefit administration and job-broking have been shown to be a significant factor in ensuring that the unemployed receive adequate help back into work. Without them, levels of unemployment, particularly long-term unemployment, would be higher, and any reduction in the effective labour supply would lead to higher recruitment costs and greater wage pressure. The report concluded early on that it is important to maintain such links in any future arrangements for the delivery of ES functions.

Thus, the UK approach is to ensure that all of the claimant unemployed are helped all of the time by maintaining continuous labour market attachment. Administrative means are used to maintain this attachment and labour market focus. They offset the effect of duration dependency – the natural tendency for morale and job search to flag the longer a person is unemployed – and any disincentive effects associated with the receipt of benefit. This approach aims to increase the chances of individuals of all durations of getting a job. It allows people to take advantage of the fact that all sorts of jobs come up all over the country all of the time.

The period up to the mid-1980s: broken links between job broking and benefit administration

From the mid-1960s there was a move away from market solutions and towards direct interventions in the income distribution not just in the United Kingdom but in many other countries. Benefits moved away from being a temporary palliative whilst the underlying problem is being resolved towards a permanent payment for "victims" who have no responsibility for their plight.

Jobcentres and Benefit Offices were split in 1974 when the Manpower Services Commission was established. From 1961 people only had to visit Jobcentres once rather than twice a week. In 1980 it became once a fortnight and between October 1982 and mid-1986 unemployed people did not have to sign on at Jobcentres at all.

Thus, the management of the system had become essentially passive with no responsibilities to counterbalance the right to benefit. People only had to sign on at Benefit Offices in order to receive their benefits. This shift away from responsibilities was increased by the pressure to reduce the number of public servants. The review that suggested the move to voluntary attendance in Jobcentres also recommended that the number of Unemployment Review Officers (UROs) needed to police the new regime should be increased from 940 to 1 250. Instead, by 1985 only 550 UROs were being employed. The first half of the 1980s had also seen years of staff cuts. This further reduced the focus on the labour market and increased the relative importance of the passive payment of benefits.

What is more, in the early 1980s large numbers were encouraged out of the labour market into inactivity. For example, the 1983 Budget allowed men aged over 60 to move on to a higher benefit rate if they left the unemployment register and signed onto the long-term supplementary benefit rate (as it was called then). This benefit required that benefit recipients *did not* look for work. In addition, there was the Job Release Scheme which subsidised the early retirement of older workers in order to release a job for young people. Finally, many people were on large-scale undifferentiated training and employment programmes which had relatively few links with the "open" labour market.

The focus of the Jobcentre network also moved away from the individual. The split of Jobcentre from Benefit Offices and the siting of Jobcentres in high streets aimed to maximise vacancies by concentrating on providing a better service to employers. By gaining market share the belief was that more of your clients, particularly the harder to help, would benefit. This example of *trickle down* did not work. The policy aimed to get more vacancies notified to Jobcentres, but fewer unemployed people were coming in to Jobcentres to match with these jobs.

Restart and all that

The year 1986 is rightly famous for the start of a reversal in UK labour market policy. However it was not just Restart (see below) that was introduced. A number of initiatives, collected under the term "stricter benefit regime" also began to increase the labour market focus of the administration of benefit. More Unemployment Review Officers (UROs) and also fraud officers were introduced, vacancies were displayed in Benefit Offices, UROs could interview clients in Jobcentres, and there was a "Postal Contact Initiative". Letters were sent to all unemployed over six months to encourage them to use Jobcentre services.

As well as this initiative Restart was introduced. All the long-term unemployed were invited to come to an interview at a Jobcentre The interview included discussion of why individuals remained unemployed and of a menu of opportunities. Restart was introduced on a pilot basis in nine offices in 1986 because the government and particularly the finance ministry asked for an evaluation of the pilots before they would agree a nation-wide extension. The evaluation when it finally emerged concluded that an extra 8.5% left the count as a result of Restart. Not all of those who left entered work. This became a common feature of such programmes. When a new initiative is introduced some people will tend to leave the register, but not for work. Over time this effect tends to wear off and, to some extent, could be seen as "cleaning up the register". In the end Restart went national on 1 July 1986 and by 1987 interviews were held after the first six months and every six months thereafter until a person left the register.

Over the next decade until the introduction of the Jobseeker's Allowance in 1996 there was a gradual revision of all aspects of labour market policies. Active labour market policies aimed to take advantage of the diversity and dynamism of the UK labour market and match individuals with the jobs as they appear. The public employment service is, therefore, a vital element. Within it the use of the job-broking function in conjunction with the payments seeks to promote and improve job search. Where necessary this is supplemented by other individual-based interventions such as training and work experience that help to place the right person in the right job. This approach is fully in line with the original proposals of the OECD Jobs Study (OECD, 1994). It combines the payment of benefit with active job search and also acts as a gateway to other active labour market help.

The key elements comprised, firstly, the establishment of a fully unified unemployment benefit system (the Jobseeker's Allowance) which combines both contributory (social insurance) and means tested (social assistance or welfare) benefits. Rules from the previous regimes were standardised and, where possible, simplified. The objective was to allow people to concentrate on getting back to work rather than worrying about benefit rules. It also makes it easier to provide more coherent and extensive help as the individual's unemployment duration increases. By contrast, in many other countries the social assistance or welfare system is not integrated with either the social insurance system or active labour market policies. In these other countries active labour market policies tend to be concentrated on people receiving social insurance benefits who, in turn, tend to be the shorter-term unemployed.

Secondly, an intervention regime has been established which is built around the individual and fully focused on the labour market. At the start there is a Jobseeker's Agreement for everybody who becomes claimant unemployed. This is a back-to-work plan that tries to devise the most efficient form of labour market activity necessary to get people into jobs. It takes account of an individual's characteristics, their benefit position (another reason for integrating benefit payment and job search) and the local labour market circumstances. Such an action plan is a common feature of many countries' systems but the UK system is more comprehensive. It applies to all unemployed people at the start of their claim whether they are on social insurance or social assistance benefits.

The other major difference is that the Jobseeker's Agreement expects the individual to do most of the work particularly at the start of the claim. Individuals tend to have the best idea of their own circumstances. They can also tap into the majority of vacancies that are not notified to Jobcentres as well as those that are. Finally, getting the jobseeker to do most of the work is a way of shepherding public sector resources.

This plan requires people to be actively seeking work and available for work and the intervention regime promotes continuous job search by requiring regular (fortnightly) attendance at a Jobcentre where vacancies are available. This keeps individuals in touch with vacancies and tries to offset, through administrative means, any tendency for job search to flag as their unemployment duration increases. In addition, "active signing" checks the Jobseeker's Agreement by testing a proportion of the client group each time they attend. "Active signing" supplements this continuous-job-search strategy particularly since the individual is unaware when their Jobseeker's Agreement will be checked. Under this approach the payment of benefit itself is an active labour market measure.

This regular attendance is supplemented by regular, more intensive, interviews thereafter. At three months individuals have to widen the range of jobs that they have to consider in terms of occupation, type of job and distance travelled. Individuals attend a Restart interview at six months and a similar interview every six months thereafter. These interviews review and check the individual's approach to getting a job and, as duration increases, provide a suitable occasion for determining whether they should change their approach and also what individual help is needed.

The amount of help available increases as duration increases. There are, however, some groups who are eligible for extra help immediately. For individuals with one particularly severe labour market disadvantage – disability, English as a second language, severe literacy or numeracy problems – early access is allowed.

The range of large-scale interventions has also changed in nature. As Figure 3 shows there has been a shift away from large-scale and undifferentiated training and work experience. Now, the focus is much more on measures aimed at matching people with jobs and aiming to address their individual barriers and problems. There is a range of jobs and individuals so there is the need for a range of interventions. The interventions include policies to improve job search (*e.g.* Jobclubs); interventions to ease the transition into work (*e.g.* travel to interview subsidies, work trials, subsidies, jobfinder grants, help with claiming or retaining benefits, advice on in-work benefits and tax credits); and interventions to restore either work habits (*e.g.* work experience) or improve skills (*e.g.* training). At the end of longer interventions there is also greater effort to recoup the investment and ensure an efficient transition into work through job search.

There has also been an examination of how the policies are delivered. Jobcentres and Unemployment Benefit Offices have been re-integrated. This reinforces an approach which enables the payment of benefit to become an active labour market policy in itself. Jobseekers, once again, regularly attend offices where vacancies are available and they are expected to access them. Also, greater attention is paid to customer service with an important cultural change brought about by removing screens between staff and clients and having open plan offices.

Also, new management techniques were introduced. The Employment Service (ES) was set up as a Next Steps agency that operated at arm's length from its parent department. However, given the importance of the various processes in the delivery of labour market policies there continues to be close liaison between policy and delivery. The ES is given, each year, a set of targets. There is a set of placement targets aimed at those with labour market disadvantage so that the delivery mechanism as well as policy is focused on those most in need. Other targets aim at ensuring that the labour market interventions are delivered promptly and accurately and at ensuring customer satisfaction.

For the large-scale interventions the ES hands the individuals over to specialist providers. ES does not deliver all these interventions. Many are contracted out.

4. Success of the policies

As Figure 3 shows, the cost of active labour market policies has fallen even after the introduction of the current government's more extensive welfare to work programme. However, despite the reduced costs there is evidence that labour market outcomes have improved since the mid-1980s and that labour market policies have contributed to this outcome.

Since labour market policies changed and then changed back after 1986, a historical comparison might show whether the policies since Restart have had an effect. Figure 4 compares claimant and ILO unemployment. In the mid-1980s the number of unemployed claimants was more than the number of ILO unemployed. This implied that, during the period when there were not policies aimed at continuous labour market attachment, many claimants were either not actively seeking or not available for work – even though these were conditions of receiving benefit. They were inactive in the labour market.

Figure 3. **Expenditure on labour market programmes, 1982-98**

£ millions (constant 1995/6 prices)

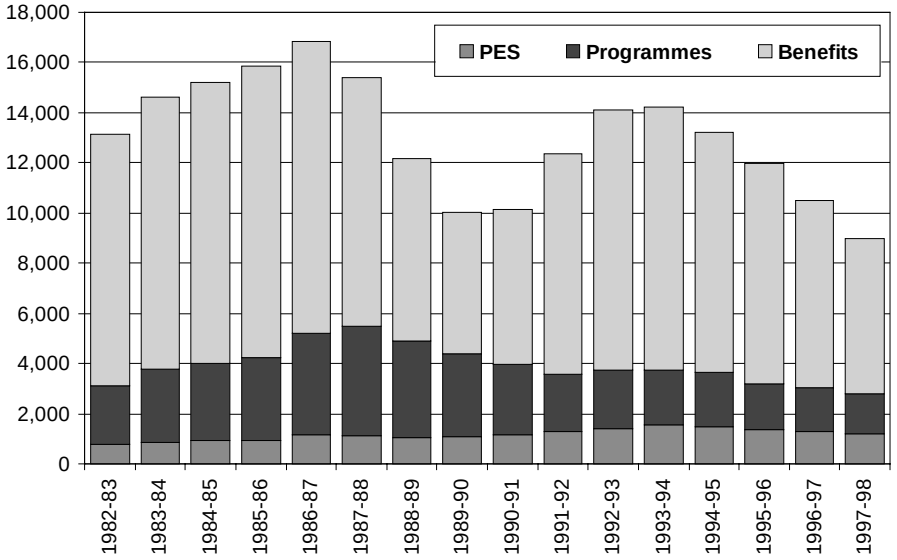
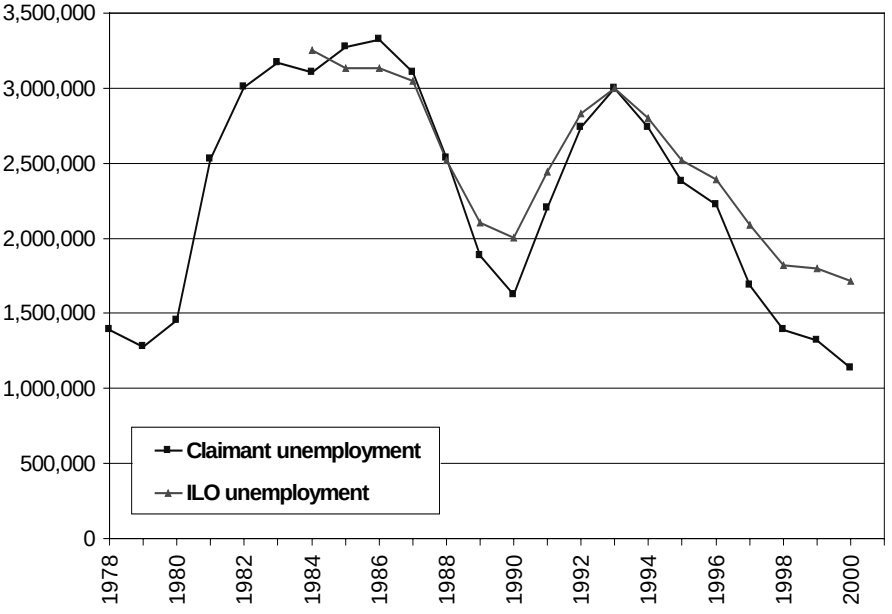


Figure 4. **Unemployment: claimant and ILO measures, 1978-2000**



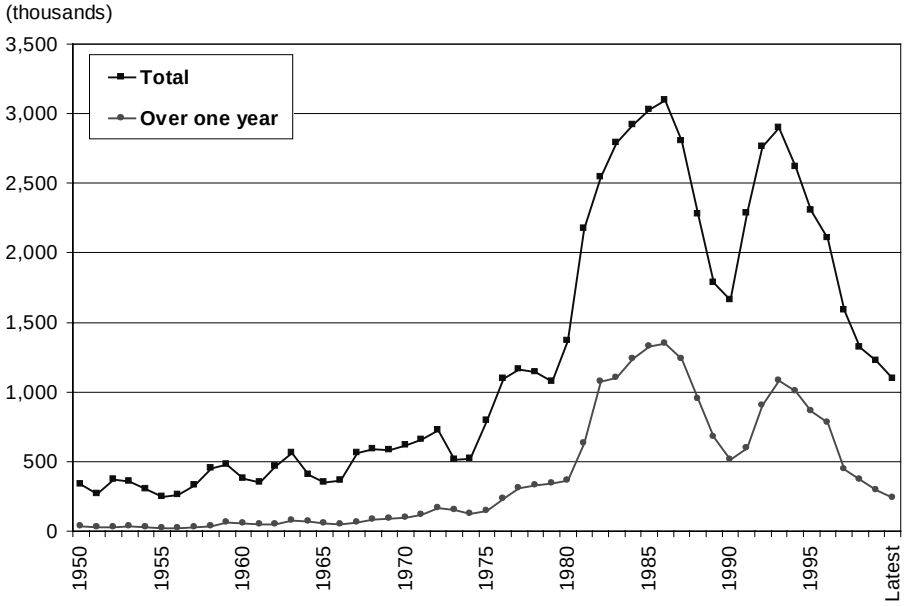
In such circumstances the claimant unemployed cannot take up jobs even if they come up. They either do not know that there are jobs around or are not available to take them. The drift into inactivity and benefit dependency is also likely to be concentrated amongst those who have been without work for a long time. By mid-1986, even though employment had been growing for more than three years after the recession, there were 3.1 million claimant unemployed and 1.3 million had been claimant unemployed for more than a year.

Thereafter, when the labour market focus of the benefit regime increased, claimant unemployment fell below ILO unemployment as you would expect and the gap grew from 1996 when the Jobseeker's Allowance was introduced. However, generally the unemployment trends were very similar. That is not surprising given the universal nature of the UK benefit system.

Since 1986 there has been improvement in claimant unemployment (Figure 5). For the first time since the 1960s, the cyclical peak in unemployment in 1992 was lower than the previous (July 1986) peak. Recently, another milestone was reached. The current claimant unemployment levels are now below the previous unemployment trough in 1990. Most of the improvement in unemployment (1.1 million of the 1.9 million improvement in unemployment since 1986) is amongst the long-term unemployed. Falls at the even longer durations were even faster.

The improvement has largely been because there has been a change in the relationship between inflows and outflows. As Figure 6 shows, until the 1980s outflows were generally on a downward trend and that trend was relatively unaffected by inflows. The focus on maintaining employment probably meant that the probability of "outsiders" getting back into work was reduced. Thus, even when inflows jumped during the recession of the mid-1970s, there was not an equivalent increase in outflows and durations increased. From the 1980s and particularly since 1986 outflows have become more of a mirror image of inflows, following the moves up and down. Thus, in contrast to the mid-1970s, the recession of the early 1990s saw a rise in unemployment that was predominantly due to the increase in inflows.

Figure 5. **Claimant unemployment: total and long-term, 1950-2000**



The improvement in outflows between mid-1986 and 1999 is set out in Figures 7 and 8. By using the benefit regime to maintain continuous attachment for all claimants throughout the unemployment spell, it seems that it is possible to take advantage of the constant turnover of vacancies. Most people leave unemployment quickly; in 1999 over three quarters left within six months and over 90% left within a year. People continue to leave unemployment at all durations. Half of the people who reach a year leave within the next year. Similarly, half of the people who reach two years and three years leave in the next year. (However, among all people leaving, the proportion that goes into jobs falls as duration rises.)

Figure 6. **Inflows to and outflows from claimant unemployment, 1967-99**

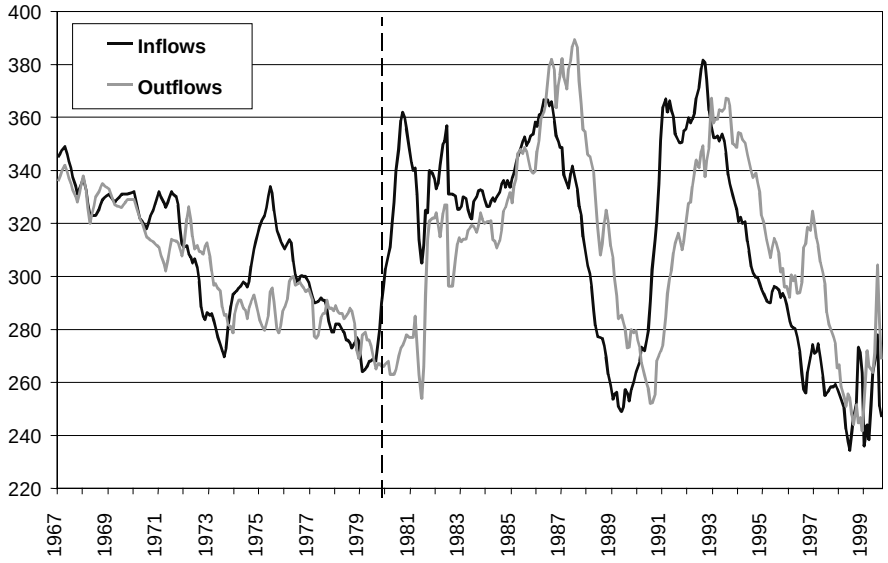


Figure 7. **Proportion of people becoming unemployed who left unemployment in 1986 after various periods of time**

Since mid-1986 there have been large improvements in the outflow rate at every duration. Compared to 1986 the proportion of the inflow who remain claimant unemployment after a year is now less than half (9% compared to 20%); after two years a quarter (2% compared to 8%); and after four years an eighth (0.5% compared to 4%).

Figure 8. **Proportion of people becoming unemployed who left unemployment in 1999 after various periods of time**

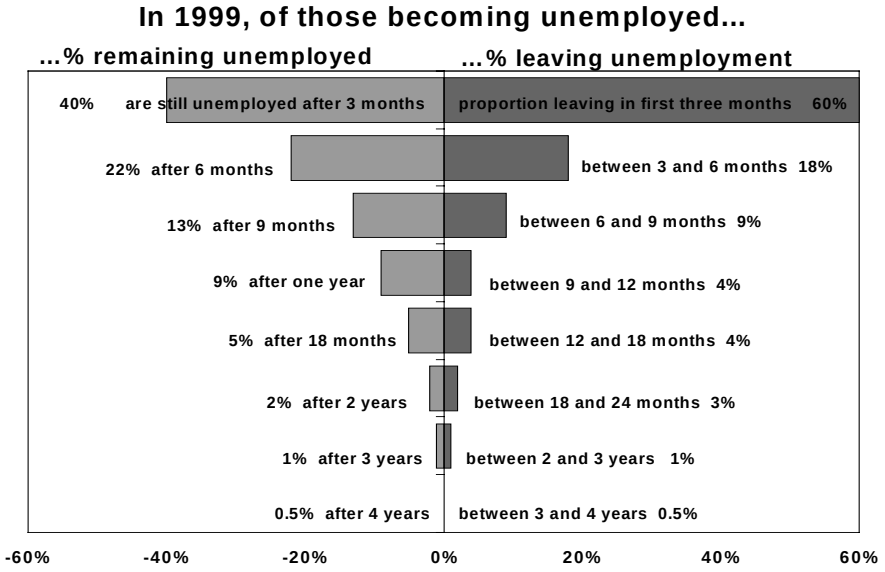
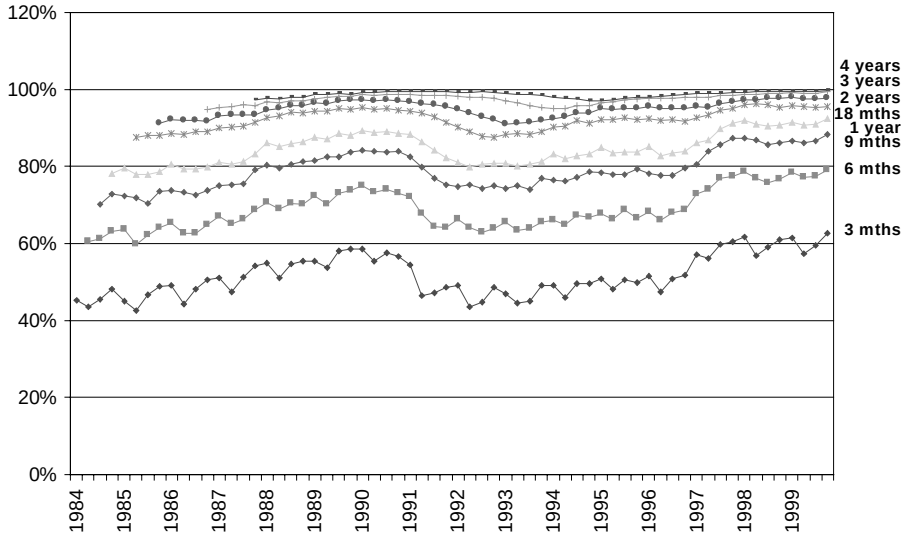


Figure 9. **Proportion of the claimant inflow leaving within a certain period, 1984-99**



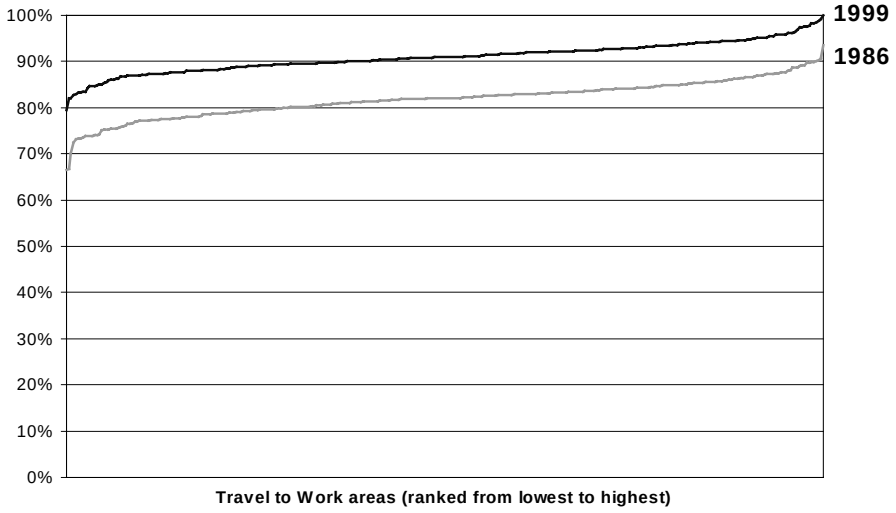
The regime also appears to help prevent the build-up of long-term unemployment during recessions. Outflow rates have moved up over the period (Figure 9). There was a rise in the mid- to late-1980s when the new approach to labour market policies was being introduced and in 1996/97 when the new Jobseeker's Allowance was introduced. However, there is little overall variation in the rates despite the fact that the early 1990s recession was both long and severe.

The application of a standardised approach to all claimants across the country has helped to achieve a relatively even spread of outflow rates. Figure 10 shows for Travel To Work Areas (TTWAs) the proportion of people in the first three months of unemployment who leave in the next year (ranked from lowest to highest) for both 1986 and 1999. Most TTWAs were in a relatively

narrow range of 85% to 95%, close to the national average of 91%. This was a substantial improvement on the 1986 range of 75% to 85%. Outflow rates tend to be slightly lower the higher is the unemployment rate but the differences are neither consistent or marked.

It is a similar story at longer durations. In 1999 for people in their first year of unemployment most TTWAs in 1999 saw around 85-95% leave unemployment in the next year compared to around 70-80% in 1986. In the second year of unemployment most were in the range 60-80% in 1999 compared to 40-60% in 1986. In the third year 50-80% left unemployment in the next year in 1999 compared to 30-40% in 1986. In the fourth year 40-60% in 1999 compared to 20-30% in 1986. For longer durations, outflow rates tended to be lower in higher-unemployment areas. However, again this correlation is neither close nor marked. The correlation seems even less marked in 1999.

Figure 10. **Distribution across the United Kingdom of the proportion leaving unemployment in the first year of unemployment, 1986 and 1999**



5. The new welfare to work agenda

Despite the fact that there is the same proportion of people of working age in employment as in 1979 there is now a greater number of people on benefits who are not in work. The number of households as well as the number of people who are dependent on benefits has risen. Also, more people have been without work and on benefits for a long time. This is particularly true of benefits associated with inactivity – lone parent and long-term sickness and disability benefits. Also, there are still more people who are long-term claimant unemployed than in 1979 which was then considered a historically high level.

The numbers of claimant and ILO unemployed are now falling to close to 1979 levels but the number on other benefits is much higher. Of the 5 1/4 million people of working age who were not working and on benefits only around 1.2 million were on unemployment-related benefits. Of the rest, 2.9 million were on sickness and disability benefits, 900 000 on lone parent benefits and around a quarter of a million on various other benefits. The major reason why the number on inactive benefits is high is that once they are on benefits only a small and, until recently, declining proportion of them leave. There is, therefore, a build up of people on these benefits with very long durations. This picture

is similar to the story of the claimant count in the period up to the mid-1980s when it, too, had a passive administration regime.

Given this distribution of people without work the current government has decided to use the best national and international evidence of what works in active labour market policies in order to end long-term unemployment. Also, in another radical innovation, employment policies are being extended to cover the inactive, particularly those on benefits.

The New Deals for the claimant unemployed

The New Deals for Young People and the Long Term Unemployed are the policies aimed at ending long-term unemployment. The New Deal for Young People is the more developed of the two. In return for the rights of a comprehensive, individually-based service young people aged 18-24 unemployed for six months or more have the responsibility to take up the help. They are not allowed to remain on benefit.

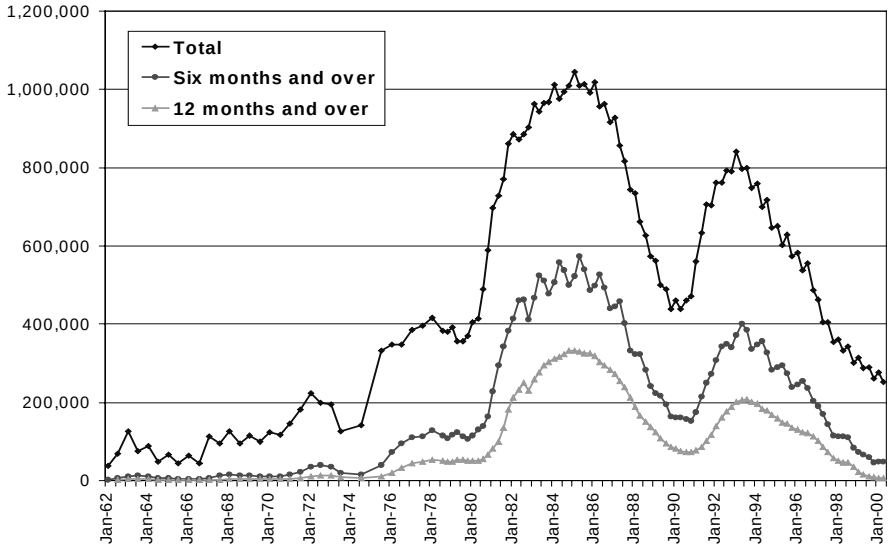
In the *New Deal for Young People* there is a "Gateway" process. For up to four months, the young people are assigned to a caseload with a personal adviser and given counselling and intensive job-search help. There are then four options; a subsidised job with an employer, work experience on either the environmental task force option or with a voluntary organisation, or – primarily for people with low or no qualifications – the option of full time education or training. If the young person turns down all reasonable offers there is "no fifth option". They will not be allowed to rest on benefits and will be sanctioned. Towards the end of the option, help with job search is reintroduced and this continues after the option has ended in what is called the Follow Through.

The *New Deal for Long Term Unemployed* was introduced in its original form in June 1998. It is now being developed building on the evidence and successes of the New Deal for Young People. After a degree of experimentation and piloting a new structure, which resembles that of the New Deal for Young People, will be introduced next year in the light of evaluation results and lessons that have been learnt.

These New Deals were introduced to end long-term unemployment. There are signs of success but there is still more to do. The client group for the New Deal for Young People is now at levels not seen since the mid-1970s. As Figure 11 shows, the number of young people claiming unemployment benefit for six months or more is around 50 000 (most of whom are on the Gateway phase of the New Deal), about a tenth of the peak in the mid-1980s. And, since the introduction of the programme two years ago, claimant unemployment amongst the 18-24 year olds has fallen by over half (56%) compared to nearly a fifth (18%) for the rest.

There is further independent evidence from the National Institute of Economic and Social Research that the New Deal has contributed to this improvement. It estimates that, in its first year, around 30 000 of the fall in the numbers in the client group was due to the New Deal with around half representing an increase in jobs. From the national statistics, there is some sign of an increase in the numbers rejoining the Jobseeker's Allowance after leaving the New Deal options and/or the Follow Through. Despite this rise in inflows, the outflow rates from the short durations have not been adversely affected. We are doing more work to try to isolate the former New Deal people among the short-term unemployed and where they are going. If their experience has improved sufficiently so that they have become similar to other newly unemployed young people then this might be seen as an early indication that their long-term employability has increased.

Figure 11. **Claimant unemployment amongst 18-24 year olds, 1962-2000**



Employment policies for the inactive

The other radical innovation of the current government is to extend active labour market policies to the inactive, particularly those on welfare. The challenge here is different. It is first necessary to get people back into the labour market before they can take up jobs. Also, the client group is different. These are people who are receiving benefits because they are lone parents or long-term sick or who have a disability. They will, therefore, have particular barriers to work and sometimes a temporary or permanent inability to do any work.

Therefore, the United Kingdom has proceeded cautiously and with a good deal of experimentation in order to ensure that the security and social protection of these people are maintained. Thus, there have been a set of New Deals for each of the main groups of the inactive population dependent on welfare; the *New Deal for Lone Parents,* the *New Deal for Disabled People,* and the *New Deals for the Partners of the Unemployed.* In addition, there has been a *New Deal for the over 50s* introduced to target help on the area where growth of inactivity has been most marked. These New Deals again draw on some of the lessons from the New Deal for Young People. Key elements are caseloading with a personal adviser and extra help to offset particular disadvantages such as lack of childcare and workplaces that are inaccessible to people with disabilities.

Alongside these policy innovations there have also been pilots aimed at giving a greater work focus to the delivery of the inactive benefits. They are the "*ONE*" pilots which introduce work-focused interviews for the inactive as well as the unemployed. Thus, they incorporate active management of the benefit and the requirement of certain activity by the participants (although not necessarily full labour market conditionality). This process is similar in principle if not intensity to the rights and responsibilities agenda associated with the Jobseeker's Allowance. It aims to get people back into the labour market and keep them there so that they can, with appropriate help, take advantage of the vacancies as they come up.

There are changes planned in the delivery organisations that also aim to increase the work focus of benefits. The Employment Service which concentrated mostly on the unemployed is being

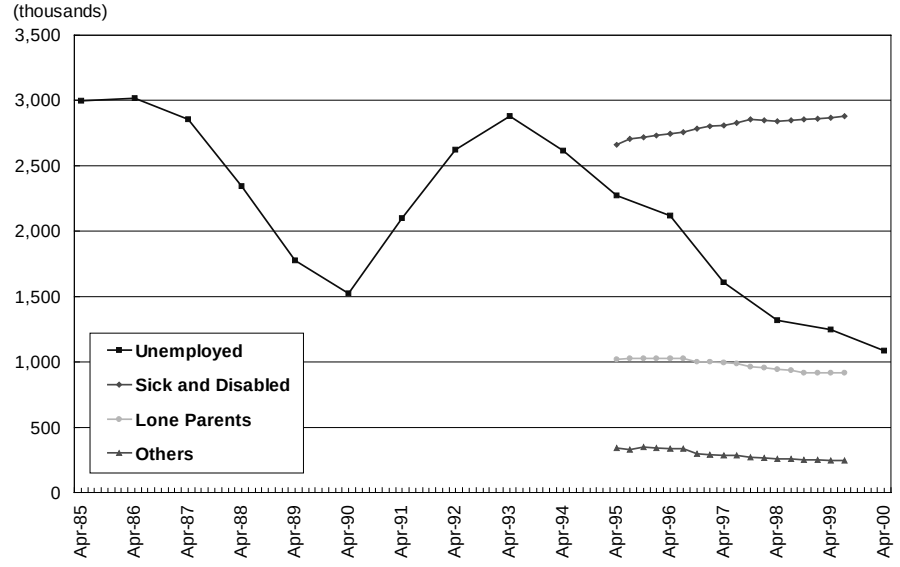
combined with the parts of the Benefits Agency that deal with the people of working age on inactive benefits. The aim is to improve the delivery of the welfare to work policies by removing artificial bureaucratic burdens that may inhibit people from considering work or getting the work that suits them.

For these people on inactive benefits the evidence of likely success is more speculative because the policies are still in their infancy. However, the diversity and dynamism of the labour market and the fact that there are people already in work who face similar barriers to those who are on benefits suggest that there is, at least, the possibility of moving these people from welfare to work.

The success of the active management of the claimant count since 1986 particularly in reducing long-term unemployment and the US success in dealing with their welfare rolls made up largely of lone parents suggests that policy can make a difference. After years of almost continuous increases, numbers on lone parent benefits seem to be trending downwards, albeit slowly (Figure 12). Growth in the number of people on long-term sickness and disability benefits has slowed considerably and the number may be close to peaking.

At the very least, policies that aim to increase the probability of the most disadvantaged in society taking up and keeping work – their employability – can have a redistributive effect. The work is shared more evenly. However, there is an economic case as well. If these policies are effective in bringing more people into the world of work then more vacancies can be turned into jobs rather than remaining unfilled. Getting the right people into the right jobs also eases bottlenecks, skill shortages and inflationary wage increases. If all people in the labour market have at least basic employability and we can match the people with the jobs it will be possible to run the economy with a higher level of employment and lower levels of inflation.

Figure 12. **Recipients of selected state benefits, 1985-2000**



6. Profiling/early identification and one stop shops

The UK approach to people on unemployment benefits is fully in line with the strategy set out in the original Jobs Study report (OECD, 1994). The Jobs Study policy proposal for the public employment service was to maintain close links between the administration of benefits and job-broking and use the public employment service as a hub from which individuals are handed off to larger scale, more intensive active labour market policies. (This approach is sometimes called "work first".) However, as the Jobs Study developed, there was a movement away from this conclusion towards recommending the use of "profiling" or "early identification" (OECD, 1996*b*, 1998).

The two different approaches, "work first" and early identification/profiling, are different in two important respects. First, "work first" emphasises the importance of universal and continuous job search so that all people are expected to be looking for work all of the time. More intensive help is only given to the small proportion of people who reach longer unemployment durations. By contrast, "profiling" tends to give intensive help early in their unemployment spell to the small proportion of people who are forecast to become long-term unemployed rather than wait until they actually become long-term unemployed.

The other difference between the two approaches concerns the nature of one stop shops. Both approaches tend to have one stop shops but the "work first" one stop shop integrates benefit payment and job-broking and acts as a hub from which people are passed on to larger-scale more intensive labour market programmes. On the other hand, "profiling" one stop shops tend to combine job-broking and other active labour market help and the link between benefit payment and job-broking is weaker with, in some cases, no vacancies available in the benefit offices. These two differences mean under the "work first" approach that not only are all people expected to search for work all of the time they are also, through the integrated benefit office and Jobcentre, in contact with vacancies every time they "sign on" for benefit. Automatic access to vacancies under the "profiling" system is neither as universal or as regular.

Since 1986 the "work first" approach has gradually been re-introduced in the United Kingdom for people on unemployment benefits. More recently, a "profiling" system has been introduced in the United States for people on unemployment insurance. Changes in the numbers of people receiving unemployment benefits in the two countries suggest that the "work first" approach has been relatively more effective. Similarly, despite the fact that the objective of "profiling" is to prevent long-term unemployment, over the last economic cycle the share of long-term unemployment has increased in the three countries where profiling has been introduced – the United States, Australia and the Netherlands – whereas in the United Kingdom the share has fallen. Finally, further support for the relative effectiveness of the "work first" approach is provided by comparing the fall in the numbers of people on welfare or social assistance in the United States (who are largely lone parents) with the growth in the numbers on social assistance in the United Kingdom.

Dealing first with the unemployment benefit system, the improvement in the United States has not been as great as in the United Kingdom despite a relatively more favourable economic performance. Unemployment benefits in the United States are almost entirely social-insurance-based. Benefits tend to last a maximum of six months and social assistance or welfare payments in the United States are not generally available for unemployed, including long-term unemployed, people. By contrast, the UK system is fully unified with social insurance integrated with social assistance and, providing the benefit conditions are met, the benefit can be paid indefinitely. In the United States the improvement in ILO unemployment rates since the late 1980s was concentrated amongst people who are not on unemployment benefits. The unemployment benefit rate in the mid 1990s was no lower than the late 1980s (OECD, 1999, p. 19). This contrasts with the United Kingdom where both the ILO

and claimant unemployment rates have improved but the improvement in the claimant unemployment rate has been greater.

The improvement in the UK claimant unemployment rate has been primarily due to an improvement in outflow rates. Now, more than three quarters of benefit recipients leave unemployment within six months. This compares favourably with the United States where over a third of unemployment benefit claimants exhausted unemployment benefits (OECD, 1999, p. 65) which usually last for six months (these figures are not strictly comparable as some people in the United States may exhaust benefits before six months if for example, they have had multiple unemployment spells). These similar outflow rates in the two countries occur despite the fact that profiling provides intensive help for a greater proportion of the short-term unemployed in the United States than the United Kingdom. Also, one might expect that the fact that US benefits end after a maximum of six months would provide a greater financial incentive to leave unemployment before benefits are exhausted than in the United Kingdom where benefits are everlasting. This provides some support for the view that the "work first" approach of maintaining continuous job search for everyone through administrative means is the more effective system. One factor which might contribute to this effectiveness is the personal checking of labour market activity in the United Kingdom compared to the greater use of telephone in the United States.

A second piece of evidence about the relative effectiveness of the "work first" approach compared to "profiling" has been the changes in the duration structure in countries. Despite the fact that "profiling" aims to minimise long-term unemployment, the average duration of unemployment in the United States was higher in 1997 than at similar points in previous expansions (OECD, 1999, p. 9). Also, two other countries have introduced profiling methods, Australia and the Netherlands. In these countries the proportion of the ILO unemployed who have been unemployed for more than a year was higher in 1998 than in 1986 (1987 in the Netherlands). In Australia, the share rose from 27.5% to 33.6%, in the Netherlands from 46.2% to 47.9%. By contrast, the UK share improved from 45.9% to 33.1%, still higher than in the United States but lower than in the other two countries. It may be that the UK "work first" approach which helps all of the people all of the time but concentrates more intensive help on the long-term unemployed is a more effective approach for preventing or minimising long-term unemployment than "profiling" which concentrates most help on those who are currently short-term unemployed.

A third piece of evidence supports the view that it is the "work first" approach which is relatively effective rather than a country-specific effect limited to improvements in the United Kingdom. It concerns labour market policies towards social assistance or welfare recipients in the United States and the United Kingdom. Welfare payments in the United States tend to be restricted to lone parents. The recent welfare to work reforms for this group mark a novel departure for the United States by providing comprehensive labour market help for people on social assistance. These reforms have been largely "work first" in nature. By contrast, in the United Kingdom the administration of non-unemployment-related benefits (largely for lone parents and the long-term sick and disabled) has, until recently, become increasingly passive. Thus, for social assistance recipients, particularly lone parents, the approaches in both the United States and the United Kingdom are the reverse of the approach taken towards the unemployed. Here comparisons favour the United States. Employment rates for lone parents are higher than in the United Kingdom and welfare rolls have been halved. By contrast, the passive administration in the United Kingdom is likely to have contributed to the growth of the number of lone parents (and the long-term sick and disabled) on benefits, especially for long periods. This growth has occurred despite sharp reductions in the UK unemployment rate.

In summary, it is arguable that the unemployment benefit rate in the United States, and the long-term unemployment share in the United States, Australia and the Netherlands might be lower if

there was a more comprehensive and more continuous administration of their unemployment insurance system.

Also, it is arguable that the application of a more active and work-focused administration of the UK non-unemployment or "inactive" benefits would have beneficial effects. There is already surprisingly little difference between US and UK activity rates. In 1998 76% of the population aged 15-64 in the United Kingdom were economically active compared to 78% in the United States. This is despite the time limits on the unemployment insurance system and, increasingly, the welfare or social assistance system which provide stronger financial incentives to get a job in the United States. However, if people are unsuccessful in getting a job, the time limits and the lack of comprehensive welfare provision may also increase the possibility that some people will drift into inactivity. Without a comprehensive welfare state there are fewer levers to pull to stop people drifting away from the world of work and society, and into economic inactivity and social exclusion. The relatively high proportion of the US population in jail might be an indication of this. In the United Kingdom many more of the economically inactive than in the United States are on benefits. If this attachment to society through the benefit system can be used to promote labour market attachment then there may be the possibility that activity rates in the United Kingdom can be increased substantially. The success of the US welfare to work initiatives, which tend to concentrate on the previously economically inactive, is a hopeful sign.

7. Conclusion

If a modern welfare state can be configured correctly, it can act as an economic as well as a social tool – combining efficiency with fairness. If people can be kept in touch with the world of work, they can fill vacancies more quickly but also they are kept in touch with society. This promotes a lower level of frictional unemployment, a higher level of employment and a fairer distribution of the remaining burden of joblessness.

BIBLIOGRAPHY

BEATSON, M. (1995), "Labour Market Flexibility", Employment Department Research Series No. 48.

LAYARD, R, S. NICKELL and R. JACKMAN (1991), *Unemployment: Macroeconomic Performance and the Labour Market*, Oxford University Press.

OECD (1994), *The OECD Jobs Study: Facts, Analysis, Strategies*, Paris.

OECD (1996*a*), *Economic Studies: United Kingdom*, Paris.

OECD (1996*b*), *The OECD Jobs Strategy: Pushing Ahead with the Strategy*, Paris.

OECD (1998), *The Identification of Jobseekers at Risk of Long-Term Unemployment: The Role of Profiling*, Paris.

OECD (1999), *The Public Employment Service in the United States*, Paris.

WELLS, W. (1992), "Does the Structure of Employment Legislation affect the Structure of Employment and Unemployment ?", mimeo for a conference on the labour market in Glasgow as part of the UK Presidency of the EU.

THE ACTIVE LABOUR MARKET POLICY IN DENMARK

Inge Mærkedahl
Arbejdsmarkedsstyrelsen (National Labour Market Authority)

1. Introduction

This paper takes stock of Danish labour market policy at the beginning of year 2000. The paper will focus on the main principles of Danish active labour market policy, developments during the last couple of years and an assessment of the effects of the labour market policy. Furthermore, the paper will focus on some of the current challenges facing the labour market policy and the Public Employment Service (PES) today.

The first part is a description of the development of labour market policy during the 1990s. A presentation of the labour market objectives will be given as well as an account of the main principles of the 1994 labour market reform with subsequent changes in the scope of activation measures to keep the reform in line with economic developments. A second part highlights the effects of the labour market policy and recent years' reforms. A brief account will be given of a number of the latest analyses of the impact of activation measures on the individual person's employment opportunities. Finally, the paper will point to some of the challenges which Denmark is facing right now. Regardless of the positive effects of recent years' adjustments of the Danish labour market policy, a number of significant challenges remain, in the light of the continued positive development of employment and unemployment respectively.

2. The development of the Danish labour market policy during the 1990s

Since the end of the 1970s, activation of long-term unemployed persons has formed an integral part of the measures in relation to persons who have been unemployed for a longer period of time. Active labour market policy thus has a rather long tradition in Denmark. Several times since 1993, significant changes have been introduced: first with the labour market reform that came into force in 1994, and subsequently, changes to keep the reform in line with economic developments – primarily in 1995, 1996 and 1999. The main purpose of these changes has been to strengthen the active line of labour market policy.

During the pre-1994 period, there was a highly regulated job offer system. This system was, among other things, characterised by the fact that certain types of activation offers (*i.e.* offers of places in labour market programmes: job offers for seven to nine months, or in vocational training) were given at regular intervals during the unemployment spell – viz. immediately prior to the expiry of the 2½ year benefit period – and that participation in offers generated entitlement to a new benefit period. Therefore the focus of these offers quickly became the maintenance of certain rights within the unemployment benefit system, instead of a quick return to ordinary employment. The offers were also marked by standardisation.

The *labour market reform* which marked a shift away from this practice came into force on 1January 1994. The possibility of re-qualifying for benefits through activation offers was abolished and subsequently re-qualification could only take place through non-subsidised ordinary employment.

The labour market reform had three main principles – principles that are still fundamental regardless of recent years' adjustments of the legal framework.

- *Needs-orientation*. The activation of unemployed persons must be based on the needs of the individual unemployed person and the regional labour market.

- *Decentralisation*. The management of the labour market has been delegated to the regional labour market councils, which prioritise the labour market policy according to regional needs – within a financial framework and central targets and result objectives.

- *Involvement of the social partners*. The social partners are involved to a greater degree in the management of the labour market policy, through participation in the regional labour market councils and the central National Labour Market Council, which acts in an advisory capacity in relation to the Minister of Labour.

From 1994, the overall framework for activation of the individual unemployed person was a seven-year support period with a prioritisation of target groups and instruments according to regional needs – however with a minimum right to one year of activation after two years of unemployment.

The labour market reform came into force at a time when unemployment had reached the highest level – 350 000 full-time unemployed persons, corresponding to 12.5% of the labour force. However as early as 1994 the economic situation in Denmark turned and since then it has been characterised by increasing employment and falling unemployment. In 1999 average unemployment was 158 000 full-time unemployed persons, corresponding to 5.7% of the labour force. This positive development has meant that the labour market reform has been adjusted several times since then, which in the following sections will be explained with an emphasis on the overall framework of the activation measures.

In connection with the *1995 Finance Act* a number of changes were adopted with a view to increasing the supply of qualified labour – the so-called *"overhaul"* of the labour market reform. Rules about availability for work were tightened and the right and duty to full-time activation after four years of unemployment was introduced. The framework of active labour market policy concerning persons receiving unemployment benefits was subsequently a four-year benefit period with the possibility of needs-oriented activation pursuant to regional guidelines, followed by a three-year activation period with a right and duty to activation during the entire period for up to as full-time.

In connection with the *1996 Finance Act* a major adjustment was adopted – *the second phase of the labour market reform* – which further strengthened the active line. The activation period with a right and duty to activation was advanced, to come in after two years of unemployment, and the total support period was consequently reduced from seven to five years. In connection with the active labour market policy, the amount of employment required to earn entitlement to unemployment benefits was increased. At the same time, the so-called youth measures were introduced according to which young persons (under the age of 25) with no formal education or training were given a right and duty to an 18 months' training course after six months of unemployment. The level of benefit during participation in training was reduced by 50% to bring it into line with the level of benefit for persons seeking education.

Finally, the *third phase of the labour market reform* was introduced in connection with the *1999 Finance Act*. The three-year activation period with a right and duty to activation was further advanced to come in after one year of unemployment and the total support period was further reduced from five to four years. The youth measures were extended to include also young persons with formal education/training. The framework of the active labour market policy in relation to the individual unemployed person now includes the following elements:

- *Unemployed persons above the age of 25*: A total four-year support period consisting of a one-year benefit period with the possibility of activation according to a regional needs assessment and a three-year activation period with a right and duty to enter labour market programmes involving up to full-time participation during the entire period.

- *Young unemployed persons under the age of 25 years*: A total four-year support period consisting of a six months benefit period and a 3½ years activation period with a right and duty to activation.

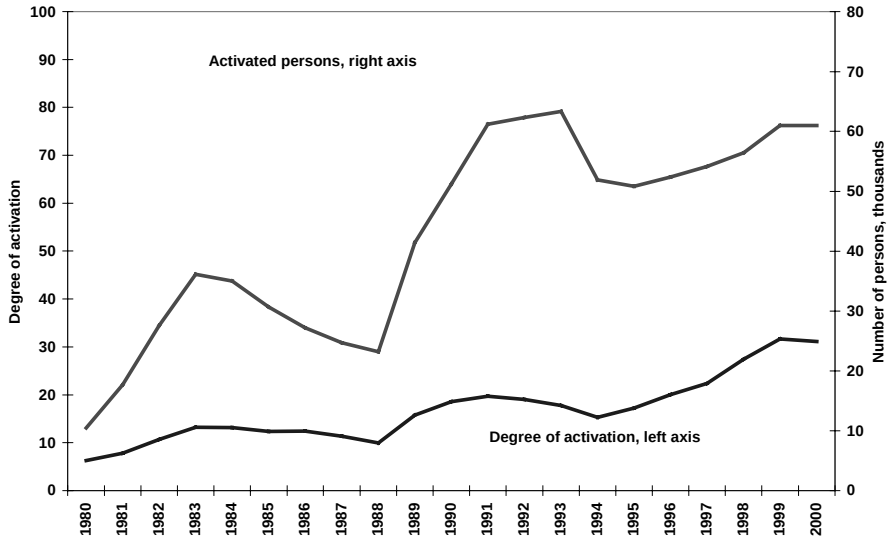
Generally, the changes in the reform, especially during the second half of the 90s, have meant a clear emphasis on the active line of labour market policy. The right and duty principle, together with the advancement of the activation period to start progressively earlier in the unemployment spell – both for adults and young persons – and the requirement for continuous activation, has become the dominating factor. The measures during the activation period are combined with needs-oriented measures at an early stage of the unemployment spell. Needs-orientation, decentralisation and involvement of the social partners have been maintained as essential basic principles of the labour market policy in connection with the strengthening of the active line.

The prioritisation of the active line and the right and duty principle have had a major impact upon the scale of activation during the 1990s. The number of persons who have been in activation within the framework of the PES has varied over time in connection with economic developments. But during the 1990s, the total number of participants has generally been twice as high as in the previous decade – *cf.* Figure 1 – and there has also been an increase from 1995 to the present day. The most recent increase in the number of activated persons in full-time equivalents has occurred regardless of the fact that the activation target group has been declining since 1994 – due to increasing employment and falling unemployment. The activation degree, which measures the share of persons in the activation target group who participate in activation measures, has therefore increased significantly during the second half of the 1990s.

Since 1994 there has been a clear tendency towards an increasingly bigger share of activated persons being activated for more than 80% of the year – *cf.* Figure 2. This is not least due to the labour market reform and the subsequent changes that have strengthened the active line of the labour market policy. Roughly speaking, the development can be described as more and more persons in more and more situations being given longer and longer offers earlier in the unemployment spell.

The favourable development in employment since 1994 has resulted in a significant reduction of the activation target group – unemployed persons, activated persons and unemployed persons on training leave. Today there are 175 000 fewer persons in the activation target group. Out of the approximately 200 000 remaining persons, almost 60 000 (approximately 30%) are in the course of upgrading their competencies – 2/3 through education/training and 1/3 on the job through job training or pool jobs. The high prioritisation given to the active line – which means that approximately 4% of the labour force each year participate in an activation offer – creates a big need for studying the effects of the labour market policy measures.

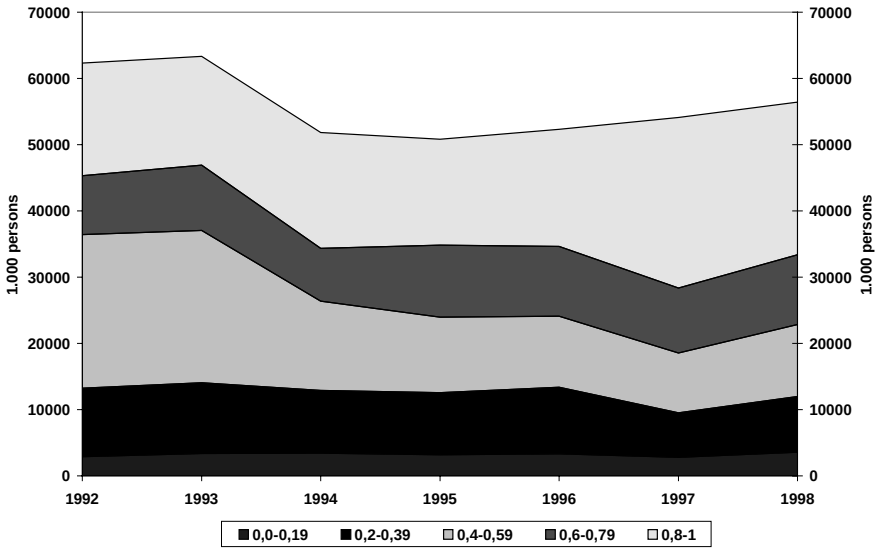
Figure 1. N**umber of activated persons, total and as a share of the activation target group, 1980-2000**



a. Activated persons refers to the average stock of people currently participating in an active labour marked programme, measured in full-time equivalents.
b. The degree of activation refers to the percentage of people in the activation target group (unemployed, activated and unemployed persons on training leave) who are activated.

Source: AM (2000).

Figure 2. **Full-time equivalent persons in activation, by the percentage of the year spent in activation, 1992-98**



a. One person who is in activation for a proportion 0.8-1 of the year represents nearly 1 full-time equivalent in these data, whereas one person who is in activation for a proportion 0.4-0.59 of year represents roughly half a full-time equivalent.

Source: AM (2000).

3. The effects of the active labour market policy[1]

The description below illustrates whether activation enhances the individual person's employment opportunities. In relation to the individual unemployed person, three general types of activation effects can be ascertained.

- *The upgrading of qualifications effect* reflects the fact that activated persons who have completed an activation programme are more likely to leave the unemployment benefit system quicker than persons who have not been activated.

- *The motivation effect* reflects the fact that the job-seeking activities of unemployed persons become more frequent when they are faced with the activation duty. This effect typically manifests itself immediately prior to the right and duty to activation and can be seen from the fact that the outflow from unemployment increases immediately prior to the time of activation.

- *The retention effect* arises when the job-seeking activities of the unemployed person are reduced during the activation programme. This means that the outflow from the unemployment benefit system is reduced for activated persons. This effect will offset the upgrading and motivation effects.

The effects of the active labour market policy are being continuously analysed in Denmark. As part of the target and framework management of regional labour market policy, central result objectives for the activation measures are fixed each year and must then be met by the PES at the regional level. The National Labour Market Authority follows up on these objectives on an ongoing basis through quarterly measurements of results.

Furthermore, during the 90s a number of evaluations were made of the effects of Danish labour market policy – including evaluations of the impact of activation measures. The general result both of the ongoing measurements and the major evaluations of impact is, fortunately, that the activation policy in Denmark has good effects.

This picture is supported by a new in-depth evaluation of the effects of the active labour market policy made by the Ministry of Labour (AM, 2000). Below, some examples are given of the analyses in this evaluation with a view to documenting the positive effects of activation.

The upgrading of qualifications effect

One of the main purposes of activation is to upgrade the qualifications of unemployed persons so that their subsequent employment opportunities are improved. The upgrading of qualifications effect is measured in terms of whether activation results in reduced payments of public benefits, compared to a situation where the person had not been activated. In the new analyses, a model has been made to show how individual persons would have performed in a situation with no activation. This allows estimation of the net effect of activation.

Figure 3 shows that activation increases the possibility of subsequent employment. During the period from 1996 to 1998, payments of public benefits to activated persons typically fell by approximately 15% during the year following the completion of an activation programme. Activation

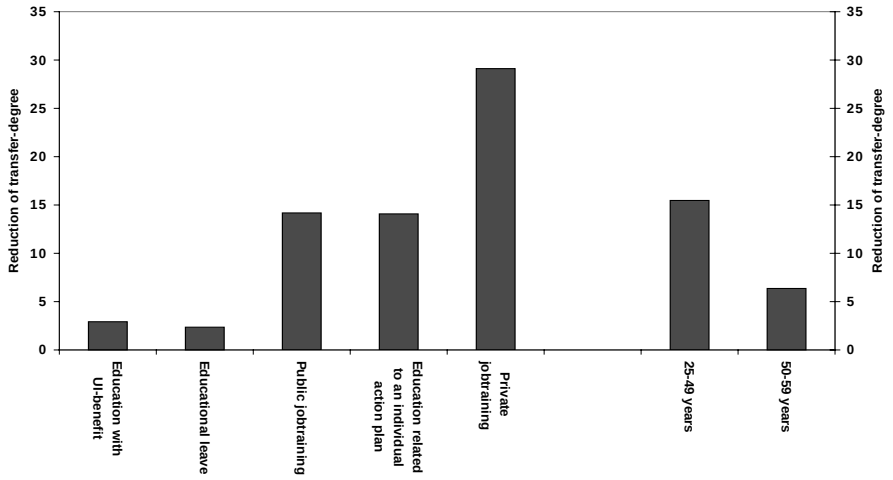
1. This part of the paper and the figures here is mainly based on AM (2000).

thus has an upgrading effect that generally results in an improvement of the subsequent possibility of obtaining employment and thus – other things being equal – results in a reduction of the number of persons who depend upon public support.

The analyses show that the effects have been improved during the period from 1996 to 1998, which may however, partly be based on the positive development of the economic situation during the same period.

Not surprisingly, the effects differ – depending upon target group and activation instrument. It thus appears that private job training has significantly better effects than the two other main instruments: public job training and education/training. This picture is confirmed by other surveys. However, it should be mentioned that the PES has in recent years had more opportunity to target training measures on unemployed persons and that the picture may be different today. Furthermore, it appears that the effects are not quite as good for the group of elderly persons. This should be seen in the light of poorer employment opportunities for this group as well as the rather big number of persons who joined the early retirement pay scheme and transitional allowance scheme in 1996. This reduces the effects.

Figure 3. **Reduction in transfer-degree caused by activation offers**



a. The reduction in transfer-degree is the estimated reduction in the amount of benefit received in the year after finishing activation, compared with otherwise similar individuals who have not participated in activation.
b. Categories of activation shown are as follows: *Education with UI benefit:* people who are allowed to engage in full-time education, individually chosen, while continuing to receive UI benefit. *Educational leave:* unemployed people who (subject to certain rules) enter educational leave, with a lower level of benefit. *Public jobtraining:* subsidised work in the public sector. *Education related to an individual action plan:* this includes both action plans established on a needs-oriented basis during the first year of unemployment, and those established at the start of or during the compulsory activation period. *Private jobtraining:* subsidised work in the private sector.

Source: AM (2000).

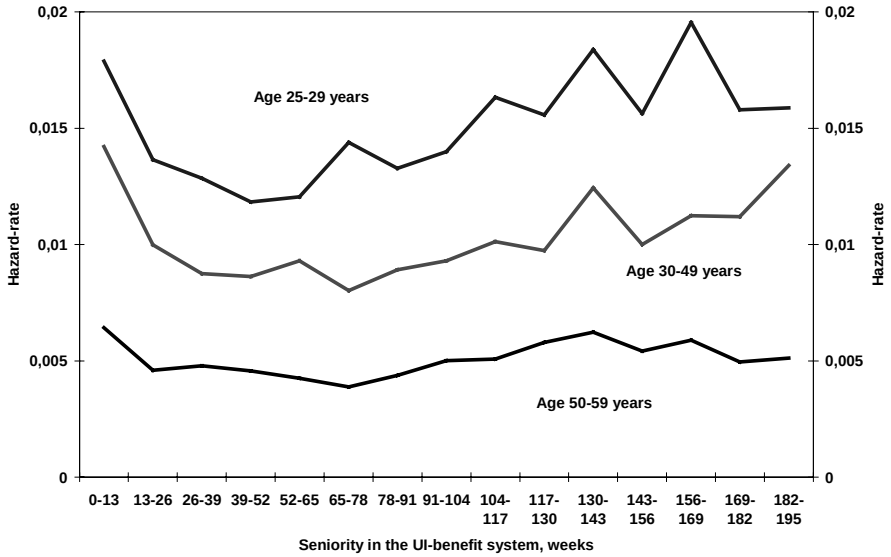
The motivation effect

Likewise, the purpose of the right and duty to activation principle is to motivate unemployed persons to seek employment on their own – the so-called motivation effect. In connection with the introduction of the right and duty to activation in 1995 and the changes from 1996 and 1999 a certain motivation effect has been expected, the purpose of which has been to increase the effective supply of labour.

The analyses of this effect are based on a survey of unemployed persons' outflow from the unemployment benefit system into ordinary employment, depending upon their seniority within the unemployment benefit system. The purpose of these analyses has been to examine the effects during the period immediately prior to the actual activation – and whether the introduction of the right and duty to activation at a certain time seems to have any effect.

Figure 4 illustrates that transition from the unemployment system to regular employment declines in the first 26 weeks of the unemployment period, however following this it is either stable or rises steadily. It should be noted that transition rises for persons with more than two years' seniority in the benefit system. It is precisely this group which, in the course of 1998, was included in right and duty employability enhancement programmes. It should also be noted that the transition to employment is much greater for younger-age groups than for older-age groups.

Figure 4. **Probability of transition from the benefit system to regular employment in 1998, in accordance with unemployment benefit seniority**



Source: AM (2000).

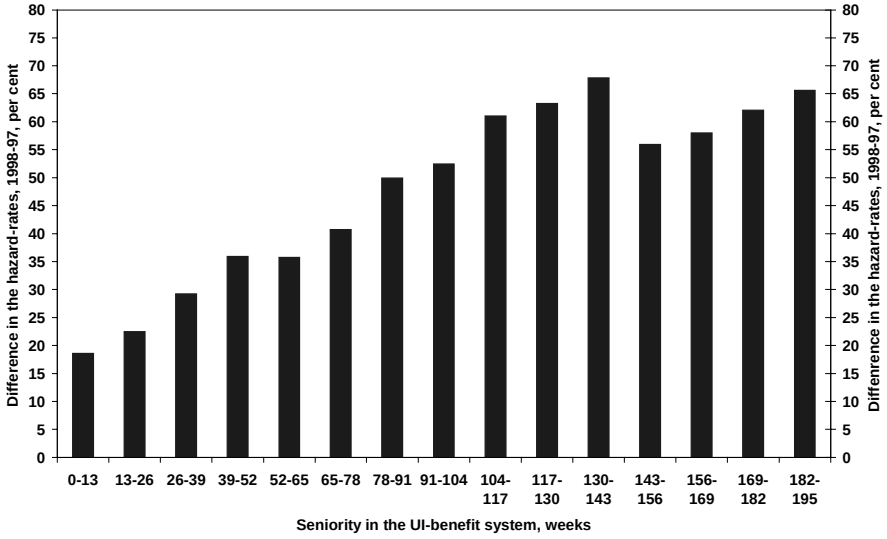
In order to emphasise the motivation effect – and to simultaneously disregard the effects of business cycles when considering the results – it will be useful to take a look at the changes in the outflow from the unemployment benefit system into employment during the period from 1997 to 1998. On the presumption that the advancement of the time for the right and duty to activation has been of decisive importance to the outflow pattern from the unemployment benefit system into employment, it should be expected that changes in the outflow pattern have taken place, especially among the group of persons who became covered by advancement in 1998.

It appears from Figure 5 that an increase has taken place in the outflow from the unemployment benefit system into employment from 1997 to 1998 for all persons in the age group 30-49 years. On average the outflow propensity has been doubled – probably partly due to the economic development. However, it appears that the increase is significantly bigger for persons with an unemployment background of approximately two to three years – exactly the same group that in 1998 became covered by the advance in the timing of the duty to activation (from four years of unemployment, towards two years) as the 1996 Finance Act was progressively implemented. The

advancement has thus contributed significantly to the changed outflow pattern. The advancement has had a motivating effect on unemployed persons' job-seeking activities.

Analyses have also been made of the motivation effect of the so-called youth measures. As previously mentioned, the youth measures meant that all young persons under the age of 25 without any formal education/training were given the right and duty to a training offer for 18 months after six months of unemployment, and the level of benefit drops after six months. This scheme was introduced in 1996 and all young persons were covered at the beginning of 1997.

Figure 5. M**otivation effect: the relative change in the rate of outflow from the unemployment benefit system into ordinary employment from 1997 to 1998**



Source: AM (2000).

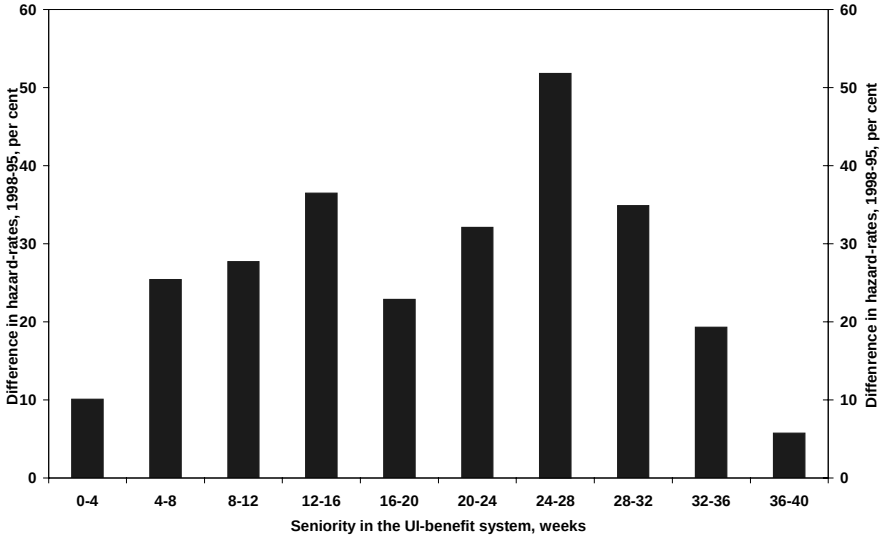
Figure 6 shows young members of the SiD (the General Workers' Union in Denmark) and the KAD (the Women Workers' Union in Denmark) and the difference between the outflow from the unemployment benefit system into ordinary employment for 1995 and 1998, respectively. It is seen that the outflow from the unemployment benefit system into employment has generally increased from 1995 to 1998 which is probably due to the favourable economic development. But it should especially be remarked that the biggest changes in the outflow from the unemployment benefit system are concentrated on employment spells of 24 to 28 weeks' duration – precisely at the time when unemployed persons are faced with being covered by the youth measures. This development confirms the tendency for youth measures to motivate young persons to find ordinary employment or education/training on their own, to a much higher degree than before the introduction of the youth measures.

The retention effect

The analyses show that there is also a retention effect in connection with activation programmes. Using the model which shows how individual persons would have performed with no activation, it can be seen that the rate of entry into employment falls during activation. The reason for this is that job-seeking activities during participation in activation measures are reduced. The retention effect may be a significant problem at an early stage of the unemployment spell where there is also a

large outflow from unemployment into employment – even without any activation. This mainly applies to the first year of the unemployment spell. Analyses show that the risk of retention is most significant among the strongest groups on the labour market. This emphasises the need for specific targeting in the selection of the group to be activated in connection with the needs-oriented measures during the first year of an unemployment spell.

Figure 6. **The youth scheme: the relative change in the rate of outflow from the unemployment benefit system into ordinary employment from 1995 to 1998 for young unemployed members of SiD and KAD**



Source: AM (2000).

Costs of activation activities

The strengthening of the active line and the extension of the right and duty concept have meant that relatively huge funds have been set aside on the national budget for the active labour market policy measures. The labour market policy reforms and the big stock of activated persons have led to increasing gross coats for active labour market policy measures in recent years – in spite of a fall in unemployment.

Discussions could therefore arise concerning the yield of the huge funds spent on active labour market policy measures. However it should be remembered that in the absence of activation, public support will often be paid in the form of unemployment benefits.[2] Furthermore, activation contributes in a positive way to getting unemployed persons back into employment quicker and thus reduces public expenses, *cf*. the previously mentioned analyses. In addition to this there are the more long-term and structure improving effects of the active labour market policy as a result of the upgrading of skills and qualifications of the labour force, improved supply of labour, less marginalisation, etc.

2. In 2000 the average cost for a person in activation is expected to be around DKK 183 000 while the average cost for a person on unemployment benefit is around DKK 140 000 (full time equivalents).

The development of the active labour market policy during the 90s has presumably contributed to the improved structures on the labour market. And the structures *have* actually been improved in Denmark. Figure 7 shows that structural unemployment (OECD figures) has been significantly reduced during the second half of the 90s after being rather high during the early 90s. Another indicator of the improved structures is the fact that the rate of pay increases during the late 90s was relatively low against a background of low unemployment of 5 to 6%. This is not least underlined by a comparison with the previous boom, during the mid-80s, where pay increases were significantly higher.

Generally, the latest analyses point towards the following tendencies:

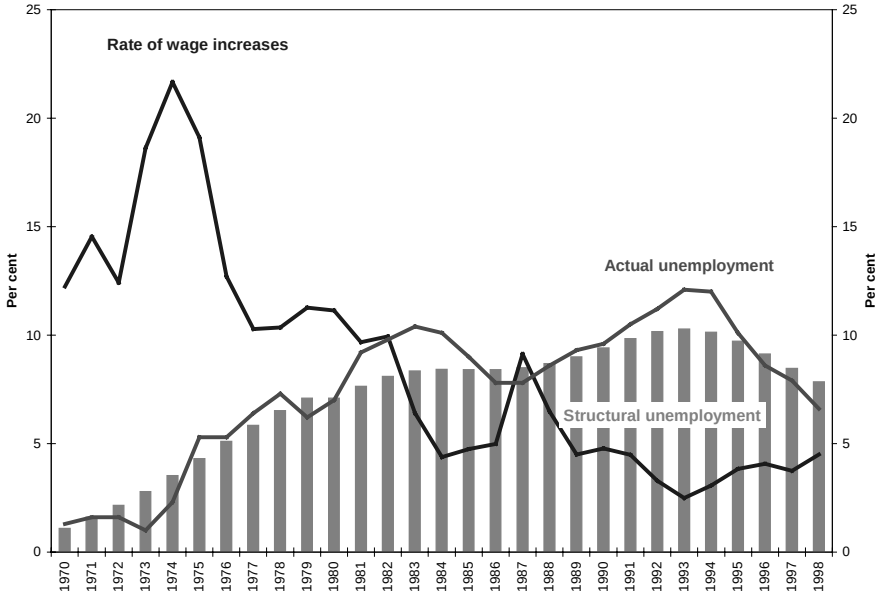
- Activation has a general upgrading effect, so that the possibility of obtaining employment is increased through completion of an activation offer.

- That the right and duty to activation has a motivating effect on the job-seeking activities of unemployed persons, thus contributing to more unemployed persons obtaining employment - including before the commencement of an offer.

- Early activation of groups of unemployed persons who are very likely to obtain employment even without activation may have a retention effect.

- Resources spent on the active labour market policy contribute to a reduction of structural unemployment.

Figure 7. **Developments in unemployment, structural unemployment and rates of wage increases, 1970-98**



a. Actual unemployment refers to registered unemployment.
b. Structural unemployment as estimated by OECD.

Source: AM (2000).

4. Situation year 2000: success, but still challenges ahead

The analyses and evaluations of the effects indicate that the active line of recent years has been a success. But there are still significant challenges for the Danish labour market policy and improvements must constantly be considered.

First of all, there will, of course, be a need for considering the design of the Danish labour market policy in the light of the economic situation. The present concept of the right and duty to activation for all unemployed persons after 12 months of unemployment – and a rather high level of activation activities as a consequence hereof – has thus been established during a period with a positive development of the economic situation and a relatively tight labour market. If a decisive change should take place in the economic situation with falling employment and increasing unemployment, there might be a need for considering adjustments to the framework of the active labour market policy – for instance in relation to the dimension of the activation offers. However, in the short term there are no indications of any significant changes in the economic situation.

Secondly, it should be considered how the quality of activation offers may be improved so that the unemployed persons are guaranteed the best possible upgrading of their skills and qualifications. Very strict demands for continued activation may in certain cases lead to a risk of focusing on activation programmes as such rather than the actual content of activation programmes. This may affect the quality of the offers.

Against this background, an agreement has been made in connection with the Finance Act 2000 on making the practical framework of the planning of the right and duty to activation more flexible. Among other things a two-year pilot project has been launched within two PES regions which makes it possible to place the right and duty to activation of the individual person more freely within the total unemployment spell-based on the needs of the regional labour market and the possibility of providing relevant offers. This concrete test of a different balance between the central right and duty principle and the regional needs-oriented approach will be closely monitored during the coming period.

Finally, there still is a big group of unemployed persons with special problems, who have become more visible with the fall in unemployment. These are persons with a lack of basic professional and/or social qualifications, or exposed groups such as ethnic minorities, disabled persons, etc.: groups which are in an inferior situation in the competition for jobs compared with unemployed persons generally, and who find it difficult to gain a foothold on the labour market. This increases the focus on activation measures specifically targeted on these exposed groups, which may contribute to avoiding the exclusion of these groups so that they may also form part of the effective supply of labour.

As a starting point, the Danish labour market policy offers flexible possibilities of planning measures that are needs-oriented and adapted to the needs of the individual person and the regional labour market. In addition, a successful integration of these exposed groups on the labour market requires a well-functioning co-operation and partnership between many different players on the regional labour market – including the PES, local authorities, unemployment insurance funds and enterprises. This co-operation may be an important basis for the development of new knowledge and instruments in the efforts towards integrating the exposed groups.

In relation to these groups there may be a need for considering special combinations of vocational guidance, education/training, job testing, practical training and job training. In recent years, a constant development has taken place in the development of co-operation projects which aim at improving the position of exposed groups on the labour market. It is necessary to constantly focus on this in the coming years.

BIBLIOGRAPHY

AM – Arbejdsministeriet (2000), *Effekter af aktiveringsindsatsen* (available on website www.am.dk).

Ministry of Labour (1999), *The Labour Market Reforms – A Status* (available on website www.am.dk).

Ministry of Labour & Ministry of Economic Affairs (1999), *National Action Plan for Employment 1999* (available on website www.am.dk).

THE ACTIVATION AND QUALIFICATION OF SOCIAL ASSISTANCE RECIPIENTS IN OSLO

Nina Backer-Røed,
Director of Employment Affairs,
and **Lars Mannsåker**,
Advisor, The City Government of Oslo,
Department of Primary Health Care and Social Affairs

1. Oslo – rich but divided

With 500 000 inhabitants within the city limits and nearly 500 000 in its outlying suburban areas – Oslo is Norway's capital, and decidedly largest city. The city is surrounded by vast recreational areas, including 40 islands in the Oslo Fjord and 400 square kilometres of forests and fields, which offer a wide variety of sporting and outdoor activities.

Running through the heart of the city from the forests in the north to the fjord in the south, is Aker River. Towards the end of the 1800s, cotton mills, sawmills, brickyards and factories emerged along its banks. Today, computer and media corporations share its banks with trout fishermen who once again enjoy the river. Toward the mouth of the river, one might observe the municipality's outreach team or catch a glimpse of the Salvation Army passing out lunches to the homeless. The Aker River is the traditional dividing line between east and west, between blue collar and white collar, poverty and prosperity. The poet Rudyard Kipling is frequently quoted in newspaper debates on Oslo living conditions: "East is East, and West is West, and never the twain shall meet". A FAFO-Research Institute study of Oslo living conditions (Hagen *et. al.*, 1994) was entitled "Oslo: a divided city?". Ceilings, educational levels, life expectancy and incomes are all higher on the west side than on the east side. Suburbs have spread eastward from the city centre carrying with them the new immigrant populations. In the western districts, unemployment was measured at 1.7% at the close of February 2000, while in the eastern inner city districts the figure was 4.3%. In the western district of Vindern 1.8% of the population were in contact with the social assistance office, while the comparable figure for the eastern district of Gamle Oslo was 21.3% (1998).

Economic, social, and cultural divisions seem to be a universal characteristic of larger cities. In Oslo, we find the best and the worst living conditions in the nation. When analysing Oslo, there is a tendency to think in terms of averages. In doing so, the specific needs of disadvantaged and marginalised groups become only a blurry background in the larger picture. Oslo politicians have long claimed that the city's role as the country's capital and decidedly largest city also inevitably leads to high social expenditures. However, this claim did not begin to gain recognition until the 1990s. Many individuals with difficult life situations, such as the unemployed, the newly divorced, refugees, immigrants, disability pensioners, and individuals with substance addictions move to Oslo. Oslo politicians are of the opinion that this fact should be reflected in the size of economic transfers from state to municipal budgets.

In this paper we will be looking at challenges linked to the activation and qualification of social assistance recipients. In addition, we will discuss the relationship between state and municipal responsibility for qualification services for the unemployed. Labour, working conditions and income are central to efforts aimed at improving living conditions – already in the 1960s, the OECD included these elements in their "List of social concerns common to most countries", and they seem equally relevant today. Work is not merely an activity or a means of obtaining money, for most of us it is central to the very manner in which we define our lives and ourselves.

2. Looking back at a policy turnabout

The 1980s – an explosion in expenditures

After the Second World War, Norway experienced a steady increase in prosperity. Aided by oil production since the 1970s, Norway has one of the lowest unemployment rates in Europe. A strong work ethic combined with small towns and rural societies and correspondingly high levels of informal social control, have undoubtedly also contributed to a lack of acceptance among average citizens for receiving social assistance benefits. However, the 1980s marked a change. The number of social assistance recipients in Oslo rose from 12 200 to 30 800 and assistance expenditures rose from NOK 80 to 970 million. In other words, social services in Oslo were in a crisis.

The most obvious causes seem to lie in socio-economic and demographic developments:

- Increases in housing expenses (rents, loan payments, electricity).
- Increases in unemployment from 0.5% to 2.8% – though registered unemployment was extremely low in some periods during the 1980s.
- Increases in divorce rates.
- Increases in the number of people in need of assistance who relocated to Oslo from abroad or from other Norwegian municipalities. The number of foreign citizens doubled during this period.

In light of these social changes, it did not seem all that strange that new population groups were seeking assistance from social services, and that assistance needs per client were also increasing. Numerous studies have confirmed the obvious assumption that social assistance recipients, in fact, do have a lower standard of living than the rest of the population. They have weaker links to the labour market, less education, poorer housing conditions, poorer physical and mental health etc. Unemployment seems to be the most significant factor in determining how long an assistance recipient will remain in need of assistance.

Quality control and a criteria system

Expenditures continued to rise until 1989, when the non-Socialist city government set forth a plan designed to regain control over social developments. This plan marked the start of a move toward activating assistance recipients. It is a policy which has been implemented and developed throughout the 1990s. The plan had three goals:

- Short-term and long-term reductions in the city's social assistance expenditures.

- Improvements in the quality of active services – assistance recipients should be helped toward self-help.

- Moves toward a more just benefits system through limits in misuse and improved control routines.

A new criteria-based distribution system for funding to the 25 districts was also introduced. It became an important tool for controlling expenditures. Each district is allotted a budget based on socio-economic and demographic variables. In principle, excess spending must then be covered over the district's ordinary budget. The introduction of a criteria system gave the municipalities increased responsibility for the development of services, a higher degree of control over social assistance expenditures, and thereby also increased economic autonomy (*Byrådsavdeling for finans*, 1999*a*).

The 1990s – numbers and expenses decrease

If one compares social assistance expenditures and unemployment rates, one can clearly see that although social assistance expenditures flattened out in the early 1990s, unemployment rates continued to rise. A few years later developments turned, and both figures showed steady decreases (Figure 1). With the decreases came a considerable reduction in expenditures. Measured in hard currency (1998-crowns) social assistance expenditures decreased by 25% between 1990 and 1998, and the number of assistance recipients decreased from 31 000 to 22 000 – a 28% reduction.

Many factors lie behind reductions in the number of social assistance recipients. A central factor is decreases in unemployment rates – from 5.8% in 1993 to 2.5% (current). The demand for labour has been high, particularly in the service sector, and many of the unemployed have returned to ordinary employment – also social assistance clients. Systematic efforts from state employment offices (*aetat*) have undoubtedly also contributed to this. Other factors which have had a positive influence, include:

- Efforts to improve social services – administrative changes, leadership development and goal orientation – have both improved services, and increased the self-help demands placed on clients.

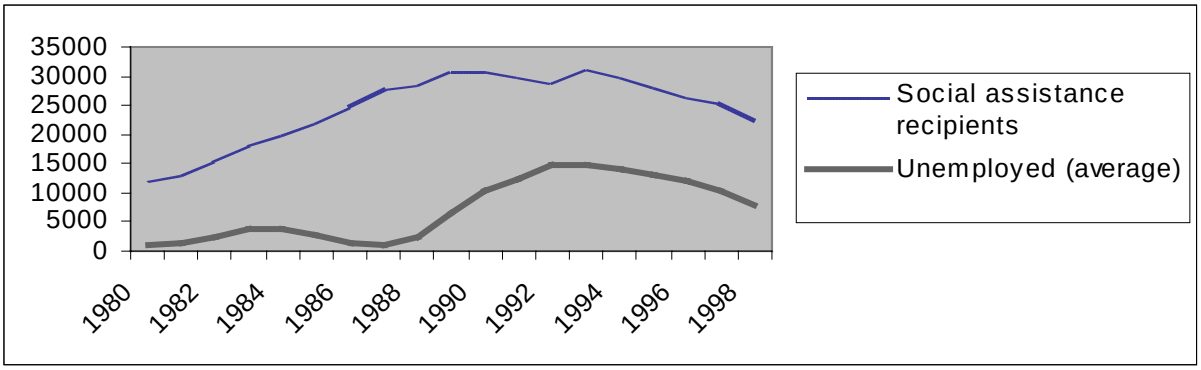
- The municipality's focus on the screening, activation, qualification and referral of social assistance recipients – in co-operation with state employment services – has succeeded.

Though there is clearly a link between social assistance expenditures and unemployment rates, this link is not mechanical. It seems that in the 1980s the municipality did not succeed in using high demands for labour power to activate social assistance recipients. Since 1993, the curves have had a parallel development.

3. Needing assistance or depending on assistance?

In retrospect it seems apparent that in the wake of socio-economic developments, a dependency culture arose during the 1980s. This "client mentality", nourished by both assistance recipients and caseworkers, may well have contributed to the rapid growth in social assistance expenditures.

Figure 1. **Social assistance recipients and registered unemployed in Oslo, 1980-98**



Source: Byrådsavdeling for finans (1998*b*, 1999*b*).

A study of Oslo and three other major Norwegian cities (Fürst and Höverstad, 1999) concluded that though socio-demographic conditions were among the most significant causal factors in an explanation of client numbers and expenditures, these factors alone could not explain developments. The report documents the fact that administrative practices, priorities in the social work profession and attitudes in the population also influence the situation. The social assistance offices which have the fewest clients and lower expenditures than could be expected in relation to the population groups they serve, are distinguished by the following success factors:

- *Clear guidelines and a common policy understanding in leadership and among caseworkers*. The most experienced caseworkers advise and counsel new clients. Clients who need help from other agencies achieve this more rapidly due to good interagency co-operation routines. Oslo municipality has developed a handbook focusing on quality and casework guidelines for case management in social services.

- *Targeting services towards activation and qualification*. By establishing activation services with few entrance requirements, and working closely with other public services and private corporations, one ensures that the clients receive help adapted to their qualification and employment needs. The client receives individual follow up in the home, at the employment project, or on the job site.

- *Clarifying client responsibility*. The client enters into an agreement with the social assistance office related to keeping appointments, participating in classes or other services, or linked to following up concrete employment possibilities. Keeping the terms of the agreement is a necessary prerequisite for receiving monetary benefits.

4. Earning your keep, national trends towards enforced work policies

A focus on active measures rather than passive monetary benefits is both a national, and an international trend. In a number of Western countries one has become aware of the risk that social assistance may become transformed into a kind of informal and unintended disability pension. Thus, in periods of high unemployment one risks “retiring” individuals who have experienced long-term exclusion from the labour market. The trend to set terms for monetary benefits and to mandate participation in screening, qualification or vocational training programmes has been coined a move from “welfare” to “workfare” policies.

In Norway, there is broad political agreement that "at risk" groups are to be brought back into the ordinary labour market. The reasoning for this move lies not only in social policy, but also in labour market policy – the country is in need of all the labour power it can muster. In Norway, this policy has been given the somewhat dogmatic name "the working principle". The crux of the working principle is a reform of social welfare, social security and public employment agencies. It is a reform which might be compared to the far-reaching decentralisation reforms in services for the mentally disabled. Centralised institutions were closed down, and small collective housing units were established in an effort to integrate the mentally disabled in local communities. In a similar manner, the work policy contributed toward an increase in services designed to integrate "at risk"-groups into the ordinary labour market. Sheltered corporations became less sheltered, and new services were established in the ordinary labour market. Social security and sick leave policies were also liberalised in order to allow recipients to work part-time. Extensive programmes have been established to assist single providers back into school or the work force. Dormant rules requiring individuals receiving unemployment benefits to accept job offers, have also been re-activated. The road has been paved for setting terms which require assistance recipients to participate in screening programmes or qualification services.

5. The legal basis for setting the terms

In 1993, a new law opened for the possibility of requiring assistance recipients to work for the municipality while receiving benefits (Act on Social Services of 1991, para. 5). More and more, social assistance offices are taking advantage of this possibility. Unemployed assistance recipients are often obligated to attend screening classes, job search workshops, vocational or on-the-job training through state employment offices or municipal services. These policies seem to have broad political support. However, these types of terms can only be set when they increase the individual's chances of becoming self-sufficient, and do not represent an undue hardship for the individual. One should be cautious about setting these types of terms in relation to individuals who have particularly difficult life situations, for example those nearing retirement age, or people who have little chance of employment (Lödemel, 1998).

When terms are set, they should be based on the recipient's situation and work force experience. Terms may range from mandatory attendance and participation at a job search workshop to a low threshold vocational training programme as the first step toward a longer qualification process. In addition to regular benefits, those who participate in re-employment services often receive a monetary bonus or a free monthly transportation pass. People who do not uphold the terms of their agreement (fail to attend classes, do not meet for work etc.), may risk a reduction in their benefits for a limited time period.

In Norway, it is the law that individuals who cannot support themselves through work or by other legitimate means have the *right* to economic assistance. Each and every individual has the right to a minimum of economic security and an above-minimum standard of living. Social assistance is, however, meant to be a subsidiary benefit. In effect, this means that all other options and possibilities for self-support (including social security benefits) should have been used first. Assistance benefits are meant to be a security net – help which can be resorted to in a time of crisis when ends just will not meet. The intention of social assistance is to assist individuals in becoming self-reliant, and it may, therefore, also mean non-economic support services. Currently, the municipality determines guidelines for social assistance benefits (within the framework of Act on Social Services). In effect, this means that district social assistance services evaluate and process cases individually within the yearly guidelines adopted by the City Parliament. There is, however, reason to believe that the state government will shortly be proposing the introduction of nationwide guidelines for social assistance benefits.

6. In order to set terms, you must have something to offer

Following the decentralisation of social services to the districts, it is up to each district to determine the means which are to be used for the activation and qualification of social assistance recipients. The city is divided into 25 urban districts, each with its own district council and district administration. Districts are responsible for local public health and social assistance services, services for the elderly and disabled, kindergartens, child welfare work, cultural and youth activities. Since 1986, the municipality of Oslo has had a parliamentary system with a city council and a city government. The city council and city government can set guidelines for services in the districts, and are responsible for economic transfers to the districts based the criteria system. Nonetheless, the Oslo districts have a high level of autonomy, and a good deal of leeway to prioritise among services. One might almost call them 25 small municipalities which co-operate individually with state employment and social security offices in their region. Most districts have built up a network of qualification services which actively utilise services offered by state employment offices. In addition, many districts have their own services which operate independently of state employment offices.

The use of state programmes in the municipality

State employment services, organised through *aetat* (the Norwegian Public Employment Service), are central to the services offered to unemployed assistance recipients in the municipalities. In Norway, funding for employment services is determined by the Norwegian Parliament based on fluctuations in the labour market. The state employment offices administer this funding. Simply speaking, one could divide the state qualification services into four categories:

- Vocational training classes – often with built-in practice periods – under the auspices of the Norwegian Public Employment Service or a chosen provider.
- Created training positions in public services or non-profit organisations.
- Ordinary jobs in the private or public sector, where employers receive wage subsidies or follow-up for a limited time period.
- Training positions in sheltered companies offering positions for individuals with disabilities. The Oslo municipality owns, or is partial owner, of ten such companies. The companies are organised as corporations which sell rehabilitation services.

Generally speaking, participation in services will last anywhere from a few weeks to ten months, although positions for the occupationally disabled may last longer. Wages received by participants are generally lower than tariff. Over the last ten years, there has been a clear move toward the use of ordinary places of employment for job training, at the expense of projects or sheltered corporations created primarily for this purpose. With decreases in unemployment toward the end of the 1990s, came cuts in the length and breadth of labour market services. Service funding became more closely linked to ordinary employment.

The start of qualification centres in the districts

In the first half of the 1990s when the demand for labour was exceptionally low, the Parliament (*Stortinget*) increased budgets for state financed (re)employment measures, and the Labour Party government initiated extraordinary training positions in public services and non-profit organisations.

Unemployment had reached a high of 5-6% for the Oslo municipality, while some east side districts had figures exceeding 10%. In 1992, the new socialist city government succeeded in voting in substantial increases in the city's use of state labour market measures. The budget for the districts' share of state financed (re)employment measures, and the budget for running (re)employment services in the districts were both more than doubled. A primary goal was to increase the number of people who received (re)employment services and to maximise utilisation of economic subsidies offered by the state. Simultaneously, the districts received funding for their own qualification services, and the city government determined that a minimum of 10% of the city's social assistance budget was to be used on activation services.

Budget increases enabled state employment offices and local districts to pull together in an effort to offer qualification and employment possibilities to a vast number of the long-term unemployed. Youth under 20 years of age and individuals who had been unemployed longer than 70 weeks, were to be prioritised. One of the most important tasks was to encourage districts, municipal agencies and municipal corporations to open for training positions and other (re)employment measures in their enterprises. The majority of the districts established separate agencies that were to organise the screening of recipient's needs and possibilities, and to set up qualification services and vocational training in conjunction with social services. The districts' *employment co-ordinators* became the link between social services and the local employment offices.

This move allowed districts to double the volume of (re)employment services offered, and from 1994 to 1996 an average of 2 000 individuals per month participated in training positions offered by municipal enterprises. These rapid increases led to the necessity of adopting strategies to ensure quality – that services provided the necessary training, and that participants had adequate working conditions:

- A centralised guidance unit was established to assist the districts, and to create a common forum for districts, agencies and corporations so that they might share their experiences.
- A board of employer and employee organisations was established to regulate the use of (re)employment services, to prevent competition between the standard labour market and public (re)employment services, and to promote the interests of service participants. New training positions in municipal services were proposed to the board, where representatives could veto proposals!

Funding was also allotted for project development, for example:

- Efforts to assist in the integration of refugees and immigrants.
- Efforts to better co-ordinate public services toward common target groups, such as co-operation initiatives between the municipality, the Public Employment Service, and the National Insurance Office.
- Vocational training which leads to a formal competency such as a trade license or a partial competency within a trade.

In order to ensure a balance between the training needs of jobseekers, and employers needs for human resources, the municipality set out to create a wide variety of training positions within most areas of services – care providers and health workers, nursery schools, building and maintenance, clerical work. etc. The politicians also saw re-employment services as an important tool in the fight against urban decay through efforts to improve local cultural and community services. Signs of the

municipality's efforts became visible in the form of building preservation, the rejuvenation of local recreational areas, and efforts to improve standards and resident initiative in low income housing areas.

Toward a new century – the need for differential services

Toward the turn of the century, there has been an increased professionalisation and a widening of the scope of municipal services offered by the districts. Qualification services are increasingly oriented toward the demands of ordinary jobs, and referrals to the open market. A good deal of district funding has been targeted toward differentiated methods for meeting the qualification needs of those who remain unemployed despite the current employment boom. The districts, then, offer services to people who cannot get help from state employment offices. While the period of high unemployment meant a high level of traditional (re)employment services, the demands of the current situation are far more varied and call for a broader range of services. By establishing their own services, districts can offer activation and qualification services to social assistance recipients independent of budgets and priorities at state employment offices. A necessary precondition for setting participation as a term for monetary benefits, is that the districts can constantly offer predictable, high quality services.

A number of districts started their own miniature "employment offices" or "service centres for employment and qualification" in the late 1990s. Services at these centres might include:

- Starter classes for determining the applicants situation in relation to the labour market.
- Job search workshops offering personal guidance in the use of information technology. Through the development of Internet services, the Public Employment Service (followed by private referral agencies) has democratised and simplified access to job vacancies.
- Person to person referrals to a Public Employment office or a National Insurance office.
- Short-term targeted training for concrete employment openings, for example truckers licenses or computer education run by state employment offices or local district offices.
- Combined language and vocational training for immigrants, introduction classes for new arrivals.
- On-the-job training at municipal services or in specialised projects.
- Direct contact with employers who have available trainee positions and/or permanent jobs.
- Active use of temporary agencies for referrals and job aptitude testing.
- Medical assistance for persons with undiagnosed physical or mental ailments.

The service range was broadened in an attempt to better match the diversity in resources among target groups. One of the districts has invested a large portion of their resources in a job search workshop where participants have made a personal commitment to attend classes three times a week. As a rule, class participation is a criterion for receiving social assistance benefits.

In an effort to capitalise on the current labour market situation, many districts now refer applicants directly to vacant jobs through their own network of employers. It is important to note, however, that these are applicants who were unable to attain employment through standard temporary agencies or state employment services. In 1999, the Parliament voted to dissolve the state's (*aetat)* monopoly on referrals to permanent positions and liberalise rules governing external agencies' activities. Thus, municipalities may now prioritise these services. The number of job placements made on the local district level may be minimal when compared to state figures, but for the districts it represents significant economic gains. Statistics show that assistance recipients who are registered as unemployed and able to work, are the group who receive the highest monetary benefits from social assistance offices. Unofficial statistics for 1999, show that in some Oslo districts up to 20% of all unemployed assistance recipients obtained permanent jobs or long-term work contracts through district placement networks. In addition, many found jobs on their own after participating in job search workshops.

7. Are labour market reserves now mobilised?

In the spring of 2000, approximately 2.5% of Oslo's labour force is out of work. Unemployment is low, and the demand for labour power is high. A result of this is that many immigrants with few formal qualifications are also finding work, in part due to efforts from state employment offices. Nonetheless, it is the decided opinion of the municipality that the state should increase their efforts towards qualification services in Oslo. In the mid-1990s, an average of 2 000 individuals per month participated in state employment and qualification services in the Oslo districts. Today, the figure is 400, over half of whom are individuals in services for the occupationally disabled. Although state employment services have to a large extent been successful in their placement strategies, we feel that reductions in state services have been too dramatic. In order to maintain a high level of qualification services for immigrants and other "at risk" groups, the municipality is dependent on a steady volume of state services. Put bluntly: the state must take labour market reserves seriously, or transfer more of the responsibility for qualification services to the municipality. The rest of this section explains the reasons for our view.

In Norway, the state primarily views employment services as *a labour market policy instrument*. This means that the state determines the volume of services based upon labour market fluctuations. Service volumes are low when employment opportunities are good and there is a healthy demand for labour power, when unemployment rises and demand is reduced the volume of employment services is again increased.

This policy is not unproblematic. In effect, the state has limited the use of qualification services just when one might succeed in increasing the size of the labour force. It is a policy similar to what social anthropologists call "perverted market mechanisms" in nomadic societies. When the price of camels is high, the nomads sell fewer camels because prices are high enough to enable the purchase of necessary life support products through limited camel sales. From the viewpoint of social assistance services, a similar logic exists in labour market policy. When the demand for labour power is high and the profit attainable through qualification services is correspondingly high, the state reduces the number of services because the number of unemployed referred to jobs is sufficiently high to keep unemployment at a minimum.

It is the municipality's experience that the need for services is not significantly reduced when demands for labour power are high. A high level of demand means room for variety. The woman who serves you at the local bakery on the corner now has green hair and a ring in her nose. This was unthinkable just five years ago – back then she would have been virtually unemployable. The state employment offices' active placement initiatives reap significant results in the current market,

but placement work and high demand are not sufficient if the goal is getting labour market reserves out on the market! It is a myth that the labour market is so good that everyone who wants to work can find employment. It is our experience that many people who are looking for work are not offered jobs or employment services. These are people who have a real chance in the labour market, but they need systematic individually adapted qualification programmes before employers are willing to hire them. If given the chance, services would work.

Each year, Oslo districts refer a large number of social assistance recipients to regular jobs. Often, these are people state employment offices have written off because they were seen as lacking in relevant education, experience, or sufficient Norwegian language skills. Many of these people have been unemployed throughout most of the 1990s. They have children. These children are growing up with parents who are chronically unemployed assistance recipients. One of the groups hardest hit by the state labour market policy is immigrants. A 1996 study of social assistance benefits revealed that 40% of all immigrant children grow up in families who receive assistance benefits (*Byrådsavdeling for finans*, 1998*a*). Unemployment is the number one cause behind these families' dependency on benefits. The figures are high and foreboding. Simultaneously, state funding which might help qualify unemployed immigrants for jobs is not a political priority. It seems only logical that the best chance of success for the long-term unemployed would be to help them enter the labour market while demand is high. If they don't get out there now, they will undoubtedly end up on disability pensions or as "permanent" social assistance recipients. It seems strange that while the state employment offices still require a written language test, district offices have been successfully referring people who cannot read or write to employment. It is our opinion that the districts succeed where the state fails because they invest more in each placement. The bill for social problems is paid by the municipality and its districts. Therefore, they have more to gain by helping the long-term unemployed now. Investing in qualification services means long-term savings in assistance and social security benefits.

A common argument against the use of state labour market services in prosperous periods is that unemployment rates should not be lowered. Lower unemployment might lead to price increases and increased interest rates. Seen from the municipality's perspective it is not really a question of reducing unemployment. It seems likely that an increase in qualification services would mean a mobilisation of long-term social assistance recipients who have never really been in the game: it is a question of moving them from the spectator seats, down to the reserve bench, and then out onto the field. Increases in qualification services would make more people available for the labour market. In many fields, Oslo needs more workers than are currently available.

Oslo municipality's challenge to state authorities is *twofold*: a significant job referral effort through state employment offices, and a high level of qualification services in close co-operation with the municipality. These policies are good social economy. Seen from the municipality's viewpoint qualification services are central as an *instrument of social policy* – one which may help bring "at risk" individuals back into the community. Breaking the bonds which tie people to social assistance benefits can also be seen as a way to assist people toward a meaningful life. The municipality's role at any given time should be to evaluate, and challenge when necessary, the assessments which lie behind changes in state strategies. In the current situation, it is a role the municipality is taking seriously.

Central pillars in Oslo's current message to the state are:

- Be predictable; maintain the level of services in times with a high demand for labour power!
- Take the potentials which lie in services seriously; see that qualification services are more than short-term storage!
- Let the municipality take greater responsibility for qualification and placement services!

8. Who are today's assistance recipients?

Who is it that the municipality feels they can assist back into the labour market? In 1998, 36.6% of the approximately 22 000 social assistance recipients in Oslo were defined as unemployed (*Byrådsavdeling for finans*, 1998*b*). This is the first group the municipality would like to reach with services. Assistance recipients who are defined as unemployed are also the group who receives the most in benefits, which also means that the municipality has the most "to gain" by assisting them into the labour market. About two-thirds of the unemployed social assistance recipients are registered at a state employment office, the remaining third are defined as unemployed though they are not registered. The trend seems to be that fewer and fewer unemployed assistance recipients are registered at state employment offices. This could mean that unemployed assistance recipients have a weaker hold on the labour market than previously, or that the threshold has been raised for which groups the employment offices define as seeking employment and thereby offer classes, on-the-job training, or job placement. Among the unregistered one finds, for example, newly arrived refugees and immigrants who the employment offices do not see as ready to be referred to workplaces.

Nearly half (44%) of those currently receiving assistance benefits are defined as not seeking employment. This group would include those receiving disability pensions or single provider benefits where assistance benefits are given as a supplement to social security benefits. Also included in this group are: individuals who are under treatment in psychiatric institutions or drug rehabilitation programmes, individuals on sick leave, and individuals receiving rehabilitation benefits. Many long-term assistance recipients have complex, often undiagnosed, problems which so influence the individual's life situation that caseworkers conclude that they are not fit for employment.

The number of young (under 30) social assistance recipients has fallen from 41% in 1990 to 28.5% in 1998. These figures coincide with the fact that unemployment has been significantly reduced among the young. The number of assistance recipients between 30 and 49 has risen in relation to the youngest group. Nonetheless, the group with the highest percentage of social assistance recipients (8%) is youth between the ages of 20 and 24. These figures give rise for concern. In 1998, age divisions among assistance recipients were as follows (numbers are registered per case, and do not include family members):

- 25% were 20-29 years of age.
- 33% were 30-39 years of age.
- 21% were 40-49 years of age.

and:

- *66% are single without children* – 66% of whom are men. Many individuals in this group have undiagnosed mental and physical disabilities and/or substance abuse problems.
- *14% are single providers with children* – 88% of whom are women. Among female single providers 56% have social security benefits as their primary source of income.
- *11% are couples with children* – approximately 80% of whom are of non-Western origin.
- *9% are couples without children.*

Single adults with or without children make up 80% of social assistance recipients in Oslo. However, it is couples with children who receive benefits over the longest period of time with an average of 6.4 months, and a yearly average of NOK 70 000 per household.

The number of immigrants who received social assistance benefits decreased during the 1990s. Nonetheless, the relative percentage of immigrants among assistance recipients increased – from 28% in 1993 to 35% in 1998. In 1998, 51% of social assistance expenditures went to immigrants. While each "case" represents 1.3 Norwegian/or Western individuals, each "case" involving recipients with non-Western background represents 2.3 individuals.

Housing prices in Oslo are high when compared to other parts of Norway. Nearly half of all assistance benefits are applied toward housing expenses. One might assume that a fair number of assistance recipients were individuals who are employed, but who need an economic supplement to meet their financial commitments. This does not seem to be the case. In 1998, only 7.8% of all assistance recipients had permanent jobs, and only 4.1% of assistance recipients had temporary work. In other words, the majority of assistance recipients who (re)entered the work force during the 1990s are managing without assistance benefits, despite high housing costs. At the same time, these figures illustrate the weak ties current assistance recipients have to the labour market – only 12% have permanent or temporary employment. The remaining 88% are either unemployed or are not categorised as fit for the labour market.

9. Further challenges

When looking forward, a number of concrete challenges exist within district qualification work:

The long-term unemployed with undiagnosed problems

The number of social assistance recipients decreased in the 1990s, but the length of time benefits were received and the average payments per client, increased. Though the numbers have returned to 1987-levels, the city and its social assistance recipients has changed. Put simply, one could say that many social assistance recipients became self-sufficient during the 1990s, while those who remain recipients need more assistance, and struggle with more complicated issues than previously.

Not long ago, the number of social assistance recipients and the number of participants in labour market services were so high that it was difficult to sift through and get a clear picture of the individuals behind the numbers. High unemployment levels forced this group to the back of the line. As the number of individuals in the line increased, long-term unemployment began to work its own kind of damage and social assistance benefits began to resemble disability pension. Unlike disability pension, however, social assistance benefits were an unstable source of income.

Decreases in the number of social assistance recipients in Oslo have enabled the districts to start the groundbreaking work of becoming better acquainted with long-term assistance recipients. One of Oslo's eastern districts has started a project aimed at assessing the situation of 700 assistance recipients who have received passive economic benefits for a period exceeding three years. Along with traditional casework, the project also offers medical assessments. A number of these individuals will undoubtedly apply for disability pensions, but some will also receive help to rediscover resources which have been lying dormant for years. As an employment co-ordinator in one of the district put it: "When I look back at the 1990s and then forward to the next couple of years, what strikes me is all the possibilities. There are almost no limits for who can get a job, if they just get proper backing."

During 1999 and 2000, new co-operation agreements have been reached between districts and state employment offices. The agreements set out to ensure that long-term unemployed social assistance recipients receive help – either from state employment offices or from their district. Earlier, all unemployed assistance recipients were required to register at state employment offices, whether this led to concrete services or not. Now, social assistance offices will determine who they feel can profit from state employment services. Recipients referred to state offices will be offered a preliminary information and screening appointment. Those who are not referred to state employment offices are no longer automatically required to register.

Individuals with mental illnesses

In recent years, the state and the municipality have got together in a attempt to improve the activation and job training services offered to individuals with mental illnesses. Many people in this group are young, and have significant personal resources and formal qualifications they are unable to use. In a country with a low unemployment rate, being out of work can be extremely stigmatising. Many go so far as to hide the fact that they are not employed. A number of people in this category have tried a rehabilitation programme without success, and thereby ended up on disability benefits at an early age. The Norwegian organisation "Justice for Losers" states that one out of six calls or letters to the organisation come from people who say they have become "disability pensioners" against their will. Many have very little money, and therefore receive supplementary assistance benefits.

In recent years, the Public Employment Service's policy toward people with physical or mental employment disabilities has changed significantly. Current policy is that this group should be offered ordinary jobs or qualification services in standard working life, rather than long periods of training in sheltered corporations which only employ the disabled. The state has recently proposed a new wage subsidy programme targeting employers who hire individuals with employment disabilities and varying working capacity. If ratified, the employer can receive a subsidy for a period of up to five years. A central pillar in this policy change is the "Supported Employment" service – a service that has gained acceptance in many Western countries. This service promotes quality rather than quantity. An employment consultant works with five to ten individuals and their employers for a period of up to three years, offering support to the employee and guidance and assistance to employers. This type of method has been coined "risk reducing". The volume of supported employment services is limited, but the method itself may have much to offer to other employment services. If the method catches on, on the job follow-up at ordinary places of employment may lead to a small out-of-the-office revolution for employment co-ordinators and consultants.

The Public Employment Office's supported employment service cannot provide services to all who might benefit from them, and far from all applicants want close follow-up. However, there are many who would like some assistance in finding potential employers – first for a short internship, and then perhaps as a regular employee a few hours a week. With changes in the social security law, individuals on disability pensions may now earn up to 15 to 20% of full-time wage without pension reductions. A part-time job has a social benefit as well as giving individuals on disability pensions greater autonomy from social assistance benefits. However, one cannot expect that everyone who receives a disability pension is ready for work. For some, the first step might be working at a district volunteer centre or maybe just visiting a district activity house for people with mental disabilities.

With the help of earmarked state funding, many districts have started their own projects for the mentally disabled within the last two years. Many of the projects utilise methods adopted from supported employment services. District employees have received training in elements of supported employment methodology so that they can create services which are flexible and customised to the individual's needs and life situation. In Norway, this is groundbreaking work as it entails a co-

operation between psychiatric nurses, employment co-ordinators and state employment offices. Though work has started, the districts still have a long way to go in co-ordinating and improving interagency and interdisciplinary co-operation targeted at assisting this group.

Refugees and immigrants

There seems to be an increased mutual awareness in state and municipal agencies that many of the immigrants who become long-term assistance recipients do so as a result of a system which creates dependency and which teaches helplessness – one might call it a dependency culture (Djuve and Pettersen, 1998). Psychologist Nora Sveaass at the University of Oslo is currently working on a dissertation about how to help refugees with war traumas succeed in building a new life in exile. In her conclusions, she goes so far as to say that these individuals are more greatly emotionally traumatised by the lack of meaningful activity and labour market participation in Norway, than they were by the original trauma experienced during war.

The Norwegian Parliament (*Stortinget*) is taking these issues seriously, and the government is currently working on changes in the manner in which refugees, individuals seeking asylum, and immigrants are received. The goal is to put an end to the waiting periods: long waits in refugee camps for those who seek asylum, followed by long periods as social assistance recipients. First, there is the wait to attend Norwegian classes, then months or years studying Norwegian with little labour market contact, and finally – the search for a job, on-the-job training or a placement through an employment office. The goal is to channel both refugees and immigrants directly into an introduction programme with parallel language training and job training so that they might quickly become employed and continue their language training at their place of employment. Economic benefits for newly arrived immigrants will probably be linked directly to participation in a qualification programme (*Kommunal- og regionaldepartementet*, 2000).

One issue related to immigrants who receive unemployment and/or social assistance benefits, which is both complex and controversial, is the size of benefits in relation to a standard working income. Caseworkers report that they at times have difficulties motivating assistance recipients because work income may not be all that much more than assistance benefits. This is particularly true for recipients in families who receive state child-support subsidies on top of social assistance for housing and living expenses. This issue is not limited to immigrants, however – as over 80% of couples with children who receive social assistance originate from non-Western countries – it has also become an integration issue.

Due to high housing prices, many families will undoubtedly need two incomes to be economically self-sufficient and to make freedom from assistance benefits profitable. In a number of immigrant environments it is uncommon, and perhaps also unacceptable, for both parents to work. This represents a challenge for social services and the state.

In light of our earlier description of assistance dependency among immigrants, little doubt remains that changes must be made – but changes do not occur over night. A number of simultaneous strategies are necessary. The Oslo municipality has initiated a number of strategies designed to strengthen non-Western immigrants position in the Oslo labour market:

- A plan of action promoting equal opportunity and working towards the recruitment of immigrants into positions in municipal services.

- Improvements in the fundamental qualification system through a combination of Norwegian-language training and job practice in the districts.

- The development of methods for testing real vocational skills through the "Job testing project".

- The development of methods for the continued education of immigrants already in the work force, including referral to languages classes or negotiations with employers to facilitate language training at the work site.

These strategies form the core of the Oslo City Government's "Action plan against ethnic discrimination" (*Byrådsavdeling for eldre og bydelene*, 1999). It is a plan in correspondence with state plans. The state has increased its focus on the situation of immigrants through the formation of a Centre for Combating Ethnic Discrimination, and through its "Action plan for recruitment of immigrants to the state sector". These initiatives provide clear guidelines for the municipality's integration work. We would also like to underline the fact that many refugees and immigrants do not need further qualification – they need an employer who is willing to give them a chance, and who believes in the potentials of diversity. Therefore, Oslo municipality has started work on reducing discriminatory aspects of our own recruitment practices. Yet, years of work for women's rights have taught us that judicial tools have only limited effect. One must *simultaneously* work with employers' knowledge and attitudes, qualification possibilities need to be improved, and channels must be establish which link those looking for jobs to employers who are considering hiring.

If the city is to help a large numbers of immigrants into jobs, improved co-operation with the private sector is also necessary. Many jobs in the private sector are filled though personal contacts – a fact which represents a serious drawback for immigrants. In a recent study NITO (an organisation for engineers) revealed that the limited number of engineers from non-Western countries who *had* managed to obtain employment in Norway, found their job with the help of teachers or advisors. For these applicants, the traditional channels of written applications and job interviews reaped few results. Unfortunately, these results and others like them, point to employer attitudes – attitudes that seem to be improving. The results also point to the role personal references and contacts play in landing a job in Norway. The questions then are: Is it possible to find a way to compensate for immigrants limited labour market networks? Could public (either state or municipal) or private recruiting agencies act as "agents" for immigrants wishing to enter the labour market? Oslo's supported employment programme seems to be a step in the right direction. Though it is still too early to conclude whether the strategy has been successful, reports from the district seem to indicate that immigrants are finding work. However, many who have been helped to find work have such poor language and writing skills that they could probably not have managed the application process on their own.

Activation and empowerment training

When commenting on the bold qualification strategy adopted in his district, one of the senior supervisors made the following remark: "*It is getting to be a bit much – that everybody should work. When are we going to be allowed to say that we qualify people to be good bums?"* It may be that one has to be Norwegian to understand why this comment is controversial. Due to Norway's low unemployment rates, concepts like "activation" and "alternative labour market" have traditionally had a weak status in public social policy – even in Oslo. However, in recent years there have been tendencies toward change:

- Many districts have established activity centres for people with emotional illnesses.

- All districts have their own "volunteer centres" where anyone, independent of their status in the labour market, can participate in activities – anything from helping the elderly with janitorial work to social and cultural activities.

For some, activity may be a goal in itself. For others, activity may be the first step toward re-entering the labour market.

10. "The tiger city"

With current demands for labour, variety in the labour market is once again increasing. Norway has OECD's second highest level of employment, surpassed only by Iceland. It is not only the young and well-educated who succeed in finding employment. Nonetheless, the primary challenge is to raise ambition levels beyond the mere employment of "at risk" groups. An equally significant challenge may be assisting new arrivals and those making their comeback into the labour market to stay employed, master their new life situation, and further develop their competence.

Throughout most of the 1990s, Oslo municipality's policy has been to take a larger share of the responsibility for the unemployed than lay in the classic division of labour between the state and the municipality. The current Conservative Party commissioner has made a significant investment in qualification services despite major cutbacks in state employment services. The justification for this is both economic, and a question of social ethics. Firstly, it is good economic logic and responsible metropolitan policy that as many people as possible are helped into ordinary employment when there are openings in the labour market. Secondly, it is a question of respect for the individual's fundamental needs and goals.

As we write, the year is 2000 and the city of Oslo is celebrating its 1000th year. It is a time for reflection and many literary treasures describing Oslo-citizen and "the soul of the city" have emerged during the celebration process. Nobel prize-winner Bjørnstjerne Bjørnson's "Tiger City" has become one of the central symbols for the city's celebration. Perhaps a tiger is not the worst allegory for a city: lovely and aesthetic for some, dangerous and lethal for others. Or as Hamsun put it in his novel "Hunger", *"denne forunderlige By som ingen forlater før han har faat Mærker av den..."* (roughly translated: this awesome City which no one leaves until he has been marked by it). In the Oslo of the year 2000, perhaps work has taken on an even greater import than it had in earlier times? As populations grow, buildings rise and Oslo joins in the globalisation of commerce perhaps "belonging" also takes on a new importance – while work was once a duty for all, some may now see it as a privilege from which they are excluded.

BIBLIOGRAPHY

BYRÅDSAVDELING FOR ELDRE OG BYDELENE (1999), *Handlingsplan mot etnisk diskriminering – med fokus på arbeidsmarkedet,* Oslo.

BYRÅDSAVDELING FOR FINANS (1998*a*), *Innvandreres bruk av sosialhjelp 1993-1996,* Notat 10/1998, Statistisk kontor, Oslo.

BYRÅDSAVDELING FOR FINANS (1998*b*), *Sosialhjelpsstatistikk 1998,* Notat 11/1999, Statistisk kontor, Oslo.

BYRÅDSAVDELING FOR FINANS (1999*a*), *Evaluering av kriteriesettet for økonomisk sosialhjelp,* Rapport, March 1999, Oslo.

BYRÅDSAVDELING FOR FINANS (1999*b*), *Statistisk Årbok for Oslo 1998,* Oslo.

DJUVE, A.B, T. BJØRNSKAU and K. HAGEN (1996), *Fra behov til budsjett: en evaluering av Oslo kommunes kriteriebaserte budsjettfordeling mellom bydelene,* FAFO/KS programme for storbyrettet forskning, FAFO-rapport 210, 1996, Oslo.

DJUVE, A.B. and K. HAGEN (1995), *Skaff meg en jobb,* FAFO-rapport 184/1995, Oslo.

DJUVE, A.B. and H.C. PETTERSEN (1998), *Virker tvang?,* FAFO-rapport 234/1998, Oslo.

FÜRST, R. and L. HÖVERSTAD (1999), *Stønadsbehov eller stønadskultur? En analyse av variasjonene i sosialhjelp mellom bydeler/distrikter i Oslo, Stavanger, Bergen og Trondheim*, KS programme for storbyrettet forskning, Oslo.

HAGEN, A.B., A.B. DJUVE and P. VOGT (1994), *Oslo: den delte byen?,* FAFO/KS programme for storbyrettet forskning, FAFO-rapport 161/1994, Oslo.

KOMMUNAL- OG REGIONALDEPARTEMENTET (2000), *Grunnleggende kvalifisering av nyankomne innvandrere,* Sluttrapport fra en tverrdepartemental arbeidsgruppe, March 2000, Oslo.

LØDEMEL, I. (1997), *Pisken i arbeidslinja. Om iverksetjinga av arbeid for sosialhjelp,* FAFO-rapport 226/1997, Oslo.

ACTIVATION:
THE POINT OF VIEW OF CLIENTS AND "FRONT LINE" STAFF

Dan Finn and **Martin Blackmore**
University of Portsmouth, United Kingdom

1. Policy background and methodology

Between September and December 1997 we carried out field research in four areas of high unemployment in England where we organised focus groups, attended by just under eighty long-term unemployed people, and carried out detailed interviews with over fifty "street level" key workers in agencies delivering programmes for the unemployed.[1] This research followed ten years in which successive British Governments had progressively intensified the "activation" of the benefit system creating a new "stricter benefit regime", implemented through the Employment Service (ES), aimed at increasing the job-search activity of the unemployed and deterring fraud.

Since 1996, unemployed people can only obtain Jobseeker's Allowance (JSA) if they have signed a Jobseeker's Agreement which specifies the detailed weekly steps they intend to take to look for work. The unemployed are expected to keep a record of what they do to look for work and to report on their job-search efforts every two weeks during a short "active signing" interview. Longer Restart interviews take place at least once every six months (see Table 1). In addition to sanctions for refusing suitable jobs, leaving work without good reason, or for not being available for or actively seeking work, officials also have a discretionary power enabling them to issue a Jobseeker's Direction requiring an individual to look for jobs in a particular way, to take other steps to "improve their employability" or to participate in an employment or training programme (see Table 2 for a short description of the main programmes). If the claimant fails to attend or behave in the required manner they might be subject to a two or four-week sanction or, if the failure to comply continues, lose benefit indefinitely.

The new regime was intended to shift the focus of the contact between the client and ES from benefit entitlement to job search and to try to get the individual into employment as soon as possible. Although it was acknowledged that most unemployed people were genuine about looking for work, policy makers considered that too many of them, especially amongst the long-term unemployed, were ineffective in their job search or were too selective about the jobs they wanted. The new powers given to ES officials by JSA were also aimed at enabling and (through specified performance targets) requiring them to put pressure on another group amongst the unemployed who, it was suggested, observed the rules but had no intention of getting work or who were already working in the informal economy.

1. The Full Report *Welfare to Work and the Long Term Unemployed* can be obtained from the Unemployment Unit at Camelford House, 87-89 Albert Embankment, London SE1 7TP (email mailbox@uuy.org.uk).

Table 1. **Schedule of contacts with the Employment Service for claimants of the Jobseeker's Allowance, 2000/01**

Time	Event	Content	Possible referral
Week 1	New Jobseeker Interview (46 minutes)	- Interview by ES Adviser - Jobseeker's Agreement (JSAg) - Labour Market (LM) based discussion - Permitted Period (if any) (up to 13 weeks when search can be restricted to "usual occupation")	- New Deal if returning to JSA within 13 weeks. - Job finder plus caseloading provision if returning to JSA after completing or leaving WBLA
Each 2 weeks	Fortnightly job-search review (4.5 minutes up to 6 months unemployment, 7 minutes thereafter)	- LM based discussion of methods used to seek work - JSA eligibility discussion	
Sometime between 1 and 13 weeks	End of Permitted Period Review (20 minutes)	- Review and revision of JSAg - LM based discussion - JSA eligibility discussion	
Week 13	13 week interview (20 minutes)	- If no Permitted Period review, LM based discussion and review of JSAg - JSA eligibility discussion	
Week 26	Restart Interview (40 minutes) (repeated every 26 weeks)	- LM based discussion - JSA eligibility discussion - training and other programme opportunities (some mandatory)	
	Initial New Deal Interview (those aged 18 to 24)[a]	- New Deal Opportunities -LM based discussion	- New Deal Gateway and subsequent options of subsidised employment, full time education or training, or work in the voluntary sector or environmental task force.

a. The New Deal for those over 25 is a less resource-intensive set of options (including advice, training and employment subsidies) which is mandatory after two years of unemployment. The government has announced that it will enhance the advisory process for this group and will further "substantially strengthen" this New Deal in April 2001 with "high quality, job-focused opportunities, including job-search help, training and work experience".

By 1996/97 the stricter benefit regime was clearly contributing to the marked falls in unemployment that the Labour Government was to inherit (Sweeney and McMahon, 1998). In that year the ES carried out over 3.3 million new claims interviews, nearly 3.3 million Restart interviews, and just under another 1.2 million advisory interviews. As a direct result of these interventions over 147 000 people were placed directly in jobs; nearly 150 000 people started on employment and training programmes that took them off the unemployment register; and over 440 000 people started on (predominantly) job-search programmes where they remained on the register. Another 65 000 made a transition to another benefit and there were over 162 000 other "sign offs" directly attributable to the impact of the interviews (DfEE, 1998, Table 3.5).

Table 2. **Main job-search and training programmes, Great Britain, 1996/97**

Caseload Interviews	A series of structured interviews carried out on a one-to-one basis between an ES adviser (ESA) and an unemployed person aimed at identifying the best way of getting work. In 1994, a *1-2-1 programme* was introduced for young people aged between 18 and 25 who had been out of work for over a year. This was followed by a similar *Jobfinder programme* in 1996/97 aimed at those out of work for over two years.
Jobclub	Aimed at unemployed people who had usually been out of work for over six months. Participation could last for several months and involves guidance with job-search skills, intensive job-search activity and access to resources such as telephones, newspapers and stationery. Jobclub attendance was usually voluntary.
Jobplan Workshop	A compulsory one week course, introduced in 1993, aimed at helping long-term unemployed people to set job goals and compete successfully for employment and training programme opportunities. Jobseekers were normally referred to Jobplan Workshop at their 12-month Restart interview.
Project Work	A pilot scheme introduced in 1996 aimed at 18 to 50 year olds unemployed for two years or more. It combined an initial period of up to 13 weeks intensive job-search assistance with an ESA followed by a 13 week mandatory work experience placement where participants received their benefit plus GBP 10 a week.
Programme Centres	These were piloted in 1996/97 and extended to other regions the following year. The Centres have replaced rigidly structured job-search programmes, such as Jobclubs, with a modular approach where clients are assessed and given more tailored assistance. They also have resource areas where clients attend for agreed periods to actively apply for jobs and other opportunities.
Restart Courses	A compulsory two-week course, introduced in 1986, lasting two weeks combining half-day workshops with linked job-search activity. Jobseekers were normally referred to a Restart Course at their 24-month Restart interview.
Restart Interviews	A mandatory counselling interview which unemployed people are required to attend after each six months of unemployment. The aim is to review the job-search activities of the unemployed person and an adviser will offer help from a "menu" of programme opportunities to those who need extra assistance.
Workwise	Intensive compulsory four week job-search assistance courses aimed at people aged between 18 and 25 who had been unemployed for over a year. Introduced nationally in 1995 and referred to as Worklink in Scotland.
TfW/WBLA	TfW – Training for Work – was available to those aged between 18 and 63 who had been unemployed for 6 months or more. In 1997/98 it was replaced by the New Deal for those aged between 18 and 24 and by WBLA – Work Based Learning for Adults – for the long-term unemployed aged over 25.
Work Trials	Work Trials enable jobseekers to work for potential employers on a trial basis for up to three weeks. Jobseekers continue to receive their Jobseeker's Allowance plus travel and meal expenses. A jobseeker must normally have been unemployed for at least six months prior to starting. If for any reason the Work Trial is unsuccessful, the jobseeker continues to claim JSA and there are usually no benefit penalties.
Workstart	Pilot employment subsidy schemes aimed at the long-term unemployed. The basic model was introduced in 1993 and offered employers six-month subsidies of GBP 60 a week for taking on people who had been unemployed for over two years. Other variations of payments and client groups were tried between 1995 and 1997 and similar employment subsidies remain a key element of the New Deals for the young and older long-term unemployed.

A number of evaluations have used various statistical techniques to identify the net impact that individual interventions and programmes have had in moving people off the unemployment register and in getting some of them into jobs (see, for example, Payne *et al*., 1996; White *et al*., 1997). However, as with most evaluations of labour market programmes, these studies have treated implementation processes as a "black box", even though we know that the actual implementation stage of the policy cycle is crucial and that partial or non implementation at the "front line" can undermine public policy objectives (Lipsky, 1980; Sabatier, 1998; Schmid *et al*., 1998). At the same time traditional programme evaluations have tended to neglect the voices and lived experiences of the clients and, as is characteristic in other social research, individuals and their needs have usually been understood within the categories defined by researchers, providers or policy makers (Williams *et al*., 1999). We wanted to go beyond traditional individualised customer satisfaction surveys.

We used focus groups to explore how the long-term unemployed actively negotiate, sometimes even resist, what appeared to be provided to assist them. Focus groups are particularly useful for understanding reactions to and perceptions of a policy measure, especially where a power differential exists between participants and decision-makers. They provide an effective way of investigating complex behaviour and motivations "that is typically not available with other methods" (Morgan and Krueger, 1993, p. 16). Interaction within the focus group, coupled with the security of being among peers, encourages participants to share views they might otherwise be reluctant to divulge and the technique can provide access to the group's level of meaning in a way that is friendly, respectful and non-condescending: an important consideration when working with groups whose views are all too often treated with low esteem.

Our research explored and reported on how the stricter benefit regime was being implemented at the front line, through the day-to-day contact between the unemployed and those working with them. Both these groups, whose views should figure more highly in the policy making process, have a wealth of knowledge and insights into the workings of the system which can enable us to better understand the *unintended* as well as the intended impact of "activation". Our primary objectives were to explore the relationship between the new regime and the barriers to work identified by the unemployed and key workers, and to establish why Government "schemes" and the ES had become so unpopular *despite* falling unemployment and the apparent success of the activation strategy.

2. Views about the work opportunities and job-search strategies available to the long-term unemployed

The long-term unemployed (LTU) expressed a strong desire to get full-time permanent jobs that would pay them a "living wage". Part-time and/or temporary work was an unattractive proposition because it meant disrupting the benefit claim, and confusion about the consequences for benefit was widespread. They attributed unemployment to the lack of suitable job opportunities and discrimination by employers on the basis of race, area, age and long-term unemployment itself.

Most key workers attributed long-term unemployment to a shortage of appropriate job opportunities and the tax/benefit poverty trap, although it was stressed that some restrictions in these areas reflected the perceptions, aspirations and attitudes of the claimants themselves. The key workers also pointed to significant personal characteristics which acted as barriers to employment: physical and learning difficulties, problems with literacy and numeracy, mental health problems, substance abuse, poor communication and presentation skills, and insufficient access to adequate transport and other basic facilities such as telephones. Some characteristics, such as insecurity and motivation, were often said to be symptomatic of long periods of unemployment, whilst personal qualities such as level of social skills and aptitude were often regarded as longer-term individual characteristics.

When probed about their actual job-search activities most of the LTU cited local newspapers and informal contacts as the best sources of work. Very few of them had approached, or registered with, private employment agencies and most were sceptical about making speculative inquiries to employers which they tended to see as something they were increasingly expected to do by the ES. There was a general consensus that the ES had the least attractive jobs, was inefficient in updating the vacancy information it displayed, and there was frustration about how few new vacancies were displayed even though they were now expected to visit the Jobcentre several times a week.

The main complaint was about the low pay levels on offer with intense competition for those with even modest wages: "if a job comes up at over GBP 4 per hour, you'll get over a hundred people going for it, for one job!". Some Jobcentre workers thought they should have powers to refuse to advertise poorly paid jobs (this was before the minimum wage). Some also complained that vacancies were posted by unscrupulous employers (*e.g.* salary negotiable or on commission).

Opinions among those working with the LTU varied as to what were the most appropriate job-search strategies. One former Jobclub leader argued that the more jobs a person applied for, the higher the chances were that they would eventually find work. Support workers in voluntary centres however suggested that it was demotivating for clients to make repeated job applications, only to get repeated rejections. This only reinforced pessimistic attitudes and, even if successful, was likely to result in the client being unemployed again quite quickly because they had taken a job that was not suitable. ES staff thought that requiring the LTU to actively seek work could act as a useful "prod", but they were deeply concerned about the impact that random speculative approaches could have on employer perceptions and goodwill. Overall, a more focused and selective approach to job seeking was favoured by most key workers including some of those in official Jobclubs. Such a strategy was considered to be at variance with ES policy but in the client's long-term interests. One training provider said: "Some people need to do the 100 applications. However, I reckon if it's somebody reasonably able, reasonably skilled and reasonably literate I can get them a job with three applications. You target the right job and you make sure they've got the skills for it (…). There is no point in making people apply for a quota simply for the sake of it. What they've got to be is assisted to apply for appropriate, relevant jobs".

3. The nature of front-line work in the ES: the impact of performance targets

In general the LTU had a very critical view of the ES in terms of its ability to help them find work, or guide them through the variety of initiatives aimed at helping them improve their employability. Although some had a good relationship with an ES adviser most felt that ES staff did not have enough time and/or experience to deal with them as individuals; that they attempted to remove them from the register rather than offer genuine help; and that their approach was too rule-bound.

Morale in the ES was said to be very low, caused by and causing high staff turnover, especially amongst more junior grades who had most day-to-day contact with the unemployed. According to all key workers, high staff turnover was a major problem because it undermined the continuity of working relationships, both between the ES and the unemployed, and between the ES and provider organisations. The loss of experienced staff, and extensive use of inexperienced casual workers in front-line duties, were thought to be particularly detrimental. Lack of experience led to problems including poor quality advice and guidance, clients being directed to programmes or premises that no longer existed, misinformation about the right to combine benefit with part-time study, and problems in giving unemployed people accurate advice about in-work benefits.

Key workers in other external organisations were also critical. There was a strong overall sense that ES staff had a difficult job to do especially in urban areas of high unemployment but that it was made even more difficult through a lack of resources, compounded in some cases by poor management. ES workers themselves were critical of high caseload and the target culture within which they worked, feeling that the pressures made it difficult for them to give individual support and in some cases led to "burnout". One said "at the moment it's all [job] placements (…) and then suddenly (…) the actual [labour market] programmes have started to fall, so now it's a panic: 'oh you've got to start submitting people to Jobclub or Training for Work'. But you've still got to get your placings. So when you're on the front-line there's so many things that are going through your head (…). And if you've got a client sitting in front of you and you're thinking about trying to sell them [an in-work benefit] or something, you can just picture the questions they're going to ask and you think, it's just not worth it. And all this in seven minutes". Another reported that "[t]he idea of a service for people that come in, because of numerical targets, has gone by the board to a large extent".

It appeared that the prevailing target culture of the ES had undermined its effectiveness in two ways. First, rigid targets for the number of people being referred to programmes distorted ES priorities, prevented them from delivering a fully client-centred service, and meant that too many people ended up in programmes unsuitable for their needs. Second, making payments to programme providers conditional on inflexible targets for entries to jobs encouraged bad practice and led to "creaming", where participants were being selected largely on the basis of how likely they are to get a job. While job-entry rates are not irrelevant to programme effectiveness, they mean very little on their own, and many programmes would add far more value if they helped those with the most severe labour market disadvantages. Although the development of more accurate measures of performance is a complex and demanding management task, it is crucial if providers and ES staff are to improve the service they deliver. In *Reinventing Government,* Osborne and Gaebler (1993, p. 358) expressed the point bluntly: "Saddling people with inappropriate measures in whose development they have had no input is a sure way to create resistance, destroy morale and encourage cheating".

4. The Jobseeker's Agreement, job-search verification and sanctions

The Jobseeker's Agreement (JSAg) is like an individual action plan agreed at the beginning of the claim. None of the focus group participants felt that it was either useful or worthwhile. One client described it as "a waste of paper. You sit there with a person who knows nothing about you and they're obviously in a rush so you get about ten minutes of their time and then you sign it and then go". The main criticisms were *a)* people agreed to things they did not want to do or intend to do so as to ensure that they were paid their benefit, which for many was "the real issue"; and *b)* in a number of cases, clients found that the ES Adviser had written into the JSAg commitments which they had not actually made.

Most of the focus group participants agreed with the principle of job-search verification along the following lines: "If you're unemployed, the least you can do is look for work during the week and turn up for your interview with the written proof (…) rather than turn up at the Job Centre with an empty sheet. It's fair". However, many had objections to the equity of the procedure in practice: for example, that it is often difficult to prove a job application took place. Some thought that the requirements could be unfair for older workers near retirement. Another cause of criticism was a perception that the rules were applied unevenly and it was suspected that ES staff were leaving some clients alone who were not genuinely seeking work because they were too troublesome. A few of the unemployed reported that the system created a perverse incentive to misrepresent job-search activity, even to lie, in order to safeguard benefits. One of the ES front-line staff confirmed that some "social-work" cases might be allowed to just come in and "sign on" and that procedures were difficult to implement for those with either literacy or numeracy and/or behavioural problems.

Many ES key workers considered that they did not have enough staff or time to conduct all the necessary procedures, especially at the fortnightly interviews where they were allowed only seven minutes per interview with someone who has been out of work for over six months (see Table 1). Partly related to this, there were wide arbitrary variations in the intensity with which ES staff scrutinised job-search activity, with some ES offices or individual officers ignoring the procedure and others insisting on it, leaving claimants often unsure as to precisely what was expected of them.

The application of sanctions for inadequate job search appeared to be rare in the case study areas. Most ES staff interviewed said they were reluctant to impose sanctions. However, some claimed to know of others who were over-zealous. Some staff said that the then-recent arrival of the new [Labour] government had been followed by an unofficial consensus that the stricter benefit regime was to be applied less vigorously.

Another factor limiting the use of sanctions was, according to ES staff, the unwieldy and lengthy adjudication process, which could often result in the reinstatement of benefit to the sanctioned client. This reticence was also evident in infrequent use of the Jobseeker's Direction. Advisers reported that they more often directed jobseekers to do things verbally during an interview "rather than go through all the rigmarole of doing a Direction on the [computer] system". It was far simpler to use verbal and administrative techniques which would put pressure on the client and disrupt their "settled" way of life, especially if they were working in the informal economy.

5. Labour market programmes

Cynicism about "government schemes" was widespread and deeply felt among the LTU. This was hardly surprising as the individuals in the focus groups had by definition been out of work for long periods. There was a common view that these "schemes" were designed to remove them from the unemployment register rather than provide them with genuine help.

Relationships between the various organisation involved in the "unemployment industry" were complex. There were many examples of positive links between agencies and especially between key staff working for providers and in the ES. However, there were problems that worked against the interests of claimants. For example, competition between various providers means that information is not always shared or communicated to clients. Many organisations seek to develop exclusive relationships with prospective employers.

The diversity of initiatives from the ES and other providers, and constant change, generates confusion among the long-term claimants regarding the names, nature and purpose of different programmes. This does little to promote informed choice. There is much "turbulence" and instability amongst the provider network. Small organisations suffered greatly from fluctuations in demand and found it hard to compete for and deliver ES programmes. Larger organisations still suffered considerable instability, owing to policy changes and budget reductions. This volatility in the market encourages the employment of many front-line staff on short-term contracts, so there is little incentive to invest in skills and job changes are common.

Providers all felt that courses as currently structured were too short and too generalised and that the ES was not sufficiently selective about who they referred. Providers claimed that the diverse mix of people with widely differing needs and circumstances in any given course intake made it difficult for tutors to establish any meaningful rapport with the individuals in the group. Some providers felt they should be allowed to further screen the clients to direct them towards appropriate courses. They also commented that mandatory courses could be marketed more positively as they felt

that much of their work was undermined, not so much by the obligation to attend in itself, but by the way in which the ES used the threat of compulsion.

6. Evaluation of specific measures

Job search courses (see Table 2) were popular but clients indicated a preference for non-official provision where attendance was more flexible and eligibility rules less bureaucratic. ES staff themselves expressed concern about the unbalanced and increasing emphasis on job-search programmes where "even popular and proven effective programmes like Jobclub seem 'tired' in the context of so much which focuses on improving jobseeking skills". They were also concerned about the confusion caused by having so many job-search programmes with different names and eligibility requirements all offering much the same thing.

Subsidies for hiring the LTU involved considerable administrative effort on the part of the ES (and it was felt that the new Government's plans for expanding them were likely to be difficult to fulfil).

Work trials are arrangements where employers can try out potential recruits for up to three weeks before appointing them. Many clients were suspicious and thought Work Trials could be exploitative, providing work for nothing, and one support worker did say they needed to be monitored carefully because she had a client go on a Work Trial with an employer who, she was convinced, did not have a vacancy. Other clients were reluctant to use Work Trials (or subsidies) to present themselves to an employer in a manner which they perceived devalued them as a prospective employee. However most key workers thought that Work Trials were valuable, particularly so for the LTU, and greater effort was needed to convince claimants of the scheme's potential.

Training measures. The majority of those we talked to had either completed training courses, were currently involved in training or were contemplating taking up training in the near future. There were also a number of people who expressed a desire to take up training courses but for various reasons were unable to do so, usually because of the qualifications it required or its duration. In addition to official short duration Training for Work courses, many had made use of the 16 hour rule, which allows a person to retain benefit and study on a part time basis so long as they remain available for and actively seeking work. Clients and providers all emphasised that the complexity of these rules and the variation in their interpretation created a significant barrier to participation, even in vocational courses supported by the European Social Fund. Although most clients saw the value of training, others were less positive about the nature of much of the training that appeared to be accessible to them. Much of the scepticism about training came from the fact that despite having successfully completed courses and gaining qualifications, focus group participants were still unable to find work.

Temporary work programmes. Although there were few temporary work opportunities available in the case study areas, broader evidence about their impact shows that unemployed people and front-line staff regard voluntary temporary work programmes delivering projects of community benefit with mixed feelings. Participants are fairly positive about the work they do and are pleased to have a chance to get back to work, even if only for a while. However, programmes paying a wage have typically offered part-time work which only young people with low housing costs and no family commitments could afford to take; yet programmes in which participants continue to receive benefit, with a small supplement, are widely criticised for being inadequate or exploitative. Other criticisms have been about the quality of the work offered (manual work, or work in areas with poor job prospects) and lack of training; the short length of the placements; and the lack of connection with employers and with the regular labour market. Compulsory work programmes, such as Project Work are seen far less positively, particularly by those given little choice over their work placement who

"saw the work as completely irrelevant to their own spheres of employment interest". "Intermediate Labour Market" programmes, which combine work experience paid at the rate for the job with formal training, are significantly more popular and effective especially with the very long-term unemployed, than other temporary work programmes (McGregor *et al*., 1998).

7. Compulsion

Unemployed people and front-line staff have mixed attitudes towards compulsion. Many agree with the principle and accept it as a safeguard against abuse, yet suggest in practice it is applied inappropriately and sometimes unfairly. What unemployed people most resent is compulsion without a genuine range of choice. For example, it is not the compulsory nature of Restart interviews which is resented so much as the fact that unemployed people (and ES staff) feel that clients' own needs and long-term goals are ignored in favour of targets aimed at achieving short-term outcomes. However, although key workers were generally critical of the impact of the stricter benefit regime, their sympathy with the negative attitude of claimants was tempered by the feeling that an individual "might learn something useful" and they had few reservations about referring clients to mandatory courses.

Providers of compulsory courses said that they were often perceived as a threat or punishment and sessions were sometimes disrupted and often undermined by those who resented being made to go, which in turn prevented others who were genuinely seeking help from benefiting. One Restart tutor was convinced that the ES referred people to compulsory courses when they suspected them of working in the informal economy.

Amongst clients compulsory job-search courses were resented and seen as a waste of time especially by those who were repeat attendees. One major criticism was that the course content was often too broad and of little direct relevance to individual circumstances. The rules for compulsory participation could sometimes become ridiculous, for example, when a person had voluntarily done a similar course only a few weeks earlier. Compulsion without a genuine range of choice was particularly resented, for example when people entering the Project Work programme were given little or no choice over their work experience placement.

Against a background of fear of benefit sanctions for inactivity, some LTU attend anything that is proposed to them. Most LTU participants in the focus groups claimed that they attended compulsory courses in order to prevent loss of benefit not because they would gain anything of value. A few seemed willing to risk the loss of a week's benefit by not attending. One provider in a larger company quoted a regular non-attendance figure of 60% in one area and ES advisers emphasised the high "drop out" rates that occurred between referral and attendance on courses. Much of this was attributed to acceptable factors, such as getting a job or being unwell, but some was thought to reflect significant participation in the informal economy or a regrettable culture of "benefit surfing" that had developed in some communities.

8. Frustration

If one word epitomised the feelings of most of the long-term unemployed people and key workers we talked to it was that of frustration. The feeling was expressed by claimants who were not able to find suitable work despite numerous job applications, and the acquisition of work experience and/or training. It was expressed by ES advisers who, because of high caseloads and performance targets, seemed unable to spend enough time with individual claimants to be able to offer the help they felt was needed. They were also frustrated because they often did not have the time they needed to

find out about or monitor local projects in order to be able recommend them to claimants. In addition, even when they were aware of an initiative that looked as though it might be beneficial it might not be viable because of the restrictions imposed by unwieldy benefit regulations. Frustration was also expressed by those delivering contracted ES programmes who had to adhere to rigid specifications and what they thought to be outdated and often inappropriate programme manuals.

9. Evidence from official JSA evaluations

The Chief Executive of the Employment Service has claimed on the basis of official JSA evaluations that jobseekers have a "generally positive" opinion of Jobcentres (ESC, 1999, para. 15). However, a closer reading of the results shows a more mixed picture which reinforces many of the findings from our focus groups. On the positive side, questionnaire responses from nearly 1 500 front-line advisers in 1998 found that they now saw themselves as having "a much more proactive and positive labour market role, focused on assisting the jobseeker's jobsearch" (ES, 1999, p. 6). However, the performance targets to which they worked "get in the way of the new emphasis" and "interfere with listening to jobseekers", and a broad range of factors restricted the quality and amount of time that could be spent with clients – staffing levels; paperwork load; office performance targets; and the presence of queues (pp. 3, 8). The less-experienced advisers also had problems with the complexity of the system, and those with less than two years on the front line were "much more likely to indicate that their understanding of the benefit incentives is poor and that they do not know how effective the incentives are" (p. 10). The advisers thought that under the JSA regime clients now better understood their responsibilities and obligations and most agreed that they had a good working relationship with unemployed jobseekers and that the vast majority were cooperative. Nevertheless, the fragility of jobseekers' finances and cultural expectations (for example, about what a "proper" job is) limited the degree of jobseeker flexibility that could be secured and this problem was exacerbated by "having a high volume of low quality jobs available that jobseekers resist applying for" (p. 4). Over half the advisers said they sometimes "turn a blind eye" to entitlement doubts and only a third "believe sanctions and penalties are effective at enforcing compliance with benefit rules and conditions" (p. 7).

A qualitative evaluation involving in-depth interviews with 82 clients in Winter 1997 confirmed that the JSA regime had emphasised the conditionality of benefit and clarified claimants' job-search responsibilities (CRD, 1998, p. iv). However, while some "welcomed these changes for bringing transparency and motivation, some resented them as pointlessly coercive, and many were sceptical and ambivalent" (p. i). In practice, regular monitoring of job search seemed to vary widely with fortnightly reviews still largely being "a brief, impersonal transaction focusing on signing the declaration" (p. ii). Some of those who had experienced a formal advisory interview "welcomed the chance to discuss their progress .. and help on offer". Others "resented what they saw as a hostile and policing tone, and what they felt was an absence of real help" (p. iii). Overall, the clients felt that there had been improvements in the overall approach of the ES but it was still perceived as being reactive rather than proactive and "issues to do with benefit and monitoring of job search were thought to take priority over real practical help" (p. iv).

A survey of over 1 800 JSA clients found that less than 30% reported that their fortnightly job-search review lasted longer than six minutes, and 30% had reviews which lasted for two minutes or less (ES, 1998, p. 44). Overall 43% reported that there was actually no discussion about job search, rising to over 90% in some offices (p. 40). The majority of clients still thought that the aim of the process was to police their activities.

Finally, a much larger survey of client responses to JSA which interviewed nearly 5 000 claimants in Autumn 1997 (McKay *et al.*, 1999, p. 603) found significant short-term improvements, more "in some Jobcentres than others", where clients better understand what is

expected of them and the amount of time spent on job search and the number of job applications made has increased. However, there was still clear evidence of the gap between policy and implementation with little change in the way people looked for jobs or their concerns about taking them, and with more than half reporting the their Jobseeker's Agreement (JSAg) was not helpful or "had no practical value", and nearly half of those who had been required to attend a review interview saying they had taken no action as a result of it. There is also still too much evidence that JSAg's are being drawn up mechanically and prescriptively. In the words of the Director of the independent Unemployment Unit, "people are often forced into meaningless jobsearch activities that do nothing to enhance their employability and may actually interfere with more constructive activities" (ESC, 1999, para. 55). It is difficult in practice to challenge the content of a JSAg, and front-line advisers do not have enough scope for negotiating agreements that envisage the development of longer-term employability.

10. Conclusions

The success of labour market programmes is largely dependent on the overall state of the labour market but the available evaluation evidence shows that programme interventions, especially involving front-line guidance and counselling, can assist the long-term unemployed return to work (Martin, 2000; Meager, 1998). The research reported here also shows that the way in which these programmes and benefit regimes are implemented at the front line can be crucial in minimising waste and misunderstanding, and maximising their impact.

Since 1997, in developing its new approach towards the long-term unemployed, characterised by the New Deal (see Annex), the UK Government has grappled with the "implementation gap" and has placed considerable emphasis on changing the way that the ES works. In the context of these changes and sharp falls in unemployment, morale in the ES has improved markedly. One important development has been the willingness of the ES to publish, for the first time, the relative success of individual areas and, when controlling for external variables, this has revealed remarkable variations in New Deal performance. This transparency should also be extended to measuring the capabilities and performance of local jobcentres, where the ES has found equivalent variations and acknowledged that the culture and large size, particularly of urban offices, is a key factor in performance and presents a "big challenge" in term of management and delivery of objectives (ESC, 1999, para. 14).

To reduce incoherence and fragmentation, the ES is now required to work in partnership with other local agencies and organisations. Its performance targets have been amended to both encourage it to focus on obtaining higher-quality job outcomes and to improve its penetration of the job vacancy market. Most significantly, the Government expects the ES to implement a new balance between the rights and responsibilities of the unemployed and this task of "combining assistance with compulsion, whilst retaining the confidence of its clients" is, according to a House of Commons Select Committee, "one of the biggest challenges facing the ES today" (ESC, 1999, para. 53). This challenge is being met partly by giving more flexibility to a new generation of front-line ES personal advisers, who work primarily in the New Deals.

Ironically, as unemployment has fallen and as the ES has begun to assist the groups at the greatest distance from the labour market, they are encountering barriers and revealing weaknesses in other services which, unless tackled, limit the potential for individuals to both take and retain jobs. For example, advisers often find that necessary and appropriate services do not exist. Public transportation systems frequently cannot get people from their homes to the places where there are jobs. Childcare may not be available, or may not be available during non-traditional hours or when children are sick. Few substance abuse or rehabilitation programmes have a strong employment focus. Work-based training opportunities for entry-level workers are limited.

Perhaps the greatest challenge involves tackling what has been described as the “revolving door”. Although control group evaluations show that the better-designed and better-resourced programmes of the late 1980s and early 1990s had a significant net impact on job prospects, and that those who participated in work-based training were more likely to obtain more secure and better paid work, even for the best programmes large numbers of participants returned to unemployment. The translation of worthy policy objectives and theoretical design into day-to-day practice is fraught with difficulties, and unless the training and employment programmes open access to worthwhile employment opportunities they will struggle to retain front-line credibility, especially in areas of high unemployment.

ANNEX

THE NEW DEALS: LEARNING THE LESSONS

The New Deal has been introduced progressively since 1997 and it now covers people aged up to 25 who have been unemployed for over six months and those aged over 25 who have been unemployed for over two years. During an initial Gateway or advisory process, for which up to four months are allowed, ES advisers aim to identify and tackle barriers to employment and assist the client with job search. If job placement is not possible, entry into a labour market programme then becomes mandatory. A broad range of training and employment provision is available.

The New Deals are enabling more of the LTU to compete for vacancies. The younger LTU in particular have responded positively to the new approach (see, for example, ESC, 1999, para. 73; Legard and Ritchie, 1999). However, problems continue to emerge in the gap between policy intention and practical implementation. The progress of the New Deals has been punctuated by controversies about the degree of local flexibility; about the award and nature of provider contracts; about the involvement and performance of private sector agencies; about the balance between the options; about the numbers of those called to interviews or referred to options who "disappear"; and about the speed with which young unemployed people have been assessed and placed in appropriate support or jobs during the Gateway period.

Managing and minimising the impact of the "revolving door" is one of the challenges for the New Deals. Particular emphasis is now being placed on job retention strategies, to ensure that New Deal participants keep the jobs they enter; on the "follow through" to get effective assistance to those who come to the end of their placements without a job; and on progression, where skill training and follow-up support help those who take entry-level jobs to make progress towards higher-paid and more secure employment.

One of the most important implementation challenges is to build on the links with transportation, housing, economic development, and other systems that are only now starting to emerge. If the New Deals are delivered flexibly, and as intended, they will help to improve the employability and job prospects of the unemployed and more effectively bridge the "implementation gap".

BIBLIOGRAPHY

CRD – Cragg Ross Dawson (1998), "JSA Evaluation Employment Service Clients and the Benefit System, Report on Stage II Qualitative Research for the ES and Others", London.

DfEE – Department for Education and Employment (1998), *Departmental Report: The Government's Expenditure Plans 1998-1999*, HMSO, Cm 3910, London.

ES – Employment Service (1998), *Client Exit Survey Jobseeker's Allowance Delivery Evaluation*, Employment Service, Sheffield.

ES (1999), *JSA Evaluation: Summary of ES and BA Staff Opinion about the Operation of Aspects of the Benefit System, Pre- and Post-Introduction of the Jobseeker's Allowance*, Employment Service, Research and Development Report ESR27, Sheffield.

ESC – Employment Sub-committee (1999), *The Performance and Future Role of the Employment Service*, Select Committee on Education and Employment, Seventh Report, House of Commons, Session 1998-99, Vol. 1, Cmnd 197-I, Stationery Office, London.

LEGARD R. and J. RITCHIE (1999), *New Deal for Young Unemployed People: National Gateway*, Social and Community Planning Research, Employment Service, ESR16, Sheffield.

LIPSKY, M. (1980), *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services*, Russell Sage Foundation, New York.

MARTIN J. (2000), "What Works among Active Labour Market Policies: Evidence from OECD Countries' Experiences", *OECD Economic Studies*, No. 30, Paris.

MEAGER N. and C. EVANS (1998), "The Evaluation of Active Labour Market Measures for the Long term Unemployed", *Employment and Training Papers*, No. 16, ILO, Geneva.

MCGREGOR A., Z. FERGUSON, M. MCCONNACHIE and K. RICHMOND (1997), *Bridging the Jobs Gap: An Evaluation of the Wise Group and the Intermediate Labour Market*, Joseph Rowntree Foundation, York.

MCKAY S., A. SMITH, R. YOUNGS and R. WALKER (1999), "Unemployment and Jobseeking after the Introduction of Jobseeker's Allowance", Research Brief, *Labour Market Trends*, pp. 601-603, November, HMSO, London.

MORGAN, D.L. and R.A. KRUEGER (1993), "When to Use Focus Groups and Why", in D.L. Morgan (ed.), *Successful Focus Groups: Advancing the State of the Art*, Sage, London.

OSBORNE D. and T. GAEBLER (1993), *Reinventing Government*, Plume Books, New York.

PAYNE J., S. LISSENBURGH, M. WHITE and C. PAYNE (1996), *Employment Training and Employment Action: An Evaluation by the Matched Comparison Method*, Research Series No. 74, DfEE, London.

SABATIER P. (1998), "Top-down and Bottom-up Approaches to Implementation Research", in M. Hill (ed.), *The Policy Process: A Reader*, Prentice Hall/Harvester, Herts.

SCHMID G., J. O'REILLY and K. SCHOMANN (1996), *International Handbook of Labour Market Policy and Evaluation*, Edward Elgar, Cheltenham.

SWEENEY K. and D. MCMAHON (1998), "The Effect of Jobseeker's Allowance on the Claimant Count", *Labour Market Trends*, Vol. 106, No. 4, HMSO, pp. 195-203.

WHITE, M., S. LISSENBURGH and A.BRYSON (1997), *The Impact of Public Job Placing Programmes*, Policy Studies Institute, London.

WILLIAMS F., J. POPAY and A. OAKLEY (eds.) (1999), *Welfare Research: A Critical Reader*, UCL Press, London.

PART III

DESIGN AND IMPLEMENTATION ISSUES FOR ACTIVE LABOUR MARKET POLICIES

HOW CAN WE MAKE ACTIVE POLICIES MORE EFFECTIVE? THE ROLE OF ORGANISATION, IMPLEMENTATION AND OPTIMAL ALLOCATION IN ACTIVE LABOUR MARKET POLICY

Jaap de Koning
Social Economic Research and Development Assistance Rotterdam
Institute for Labour Policy Research, Erasmus University Rotterdam

1. Introduction

Active labour market policies have been the subject of many evaluation studies. However, with a few exceptions these studies deal exclusively with the labour market outcomes of the policies. Most evaluations assess the impact of individual labour market programmes on the income and the labour market status of their participants. Does participation in a programme help unemployed people to find jobs and to improve their income situation? A relatively small number of studies try to assess how labour market policy as a whole affects the overall performance of the labour market. The results of both types of study are diverse. Some studies find a positive labour market impact, while others find no significant effect, or even an adverse impact. On balance these studies indicate that the effectiveness of this type of policy has been rather limited if not small. Therefore, there is certainly room for improvement.

It may be that the impact of programmes depends on the way that they are organised and implemented. However, little is known about the factors that make programmes fail or succeed. Research into the organisation and the implementation of labour market programmes is not completely lacking, but it is usually qualitative in nature, and is less often published in international journals. Can active policies be made more effective by altering the institutional structure, changing the implementation of measures or re-allocating the funds available for them? That is the central question we try to answer in this paper.

Organisation and implementation can be studied at different levels. At the national level, there are "system characteristics" that might influence the effectiveness of labour market policy. An example is the position of the public employment service: does it have a monopoly in job placement or not? Some claim (but others challenge) that a state monopoly makes it easier to place disadvantaged groups. Recently, many OECD countries have made radical changes in the institutional framework, such as the abolition of the state monopoly in job brokerage. However, organisation and implementation are also relevant at the operational level. Measures for the disadvantaged, for example, could be either implemented by specialised teams, or by individual counsellors as a part of their general tasks.

Market failure and unequal opportunities (which are to some extent related to each other) are the main justifications for government intervention in the labour market. This implies that a thorough labour market analysis, in which alternative policies are weighed against each other, is a prerequisite

for developing an effective policy. First of all such an analysis will make clear that some labour market problems will have to be solved by other policies than ALMP. ALMP can do little to solve a general job shortage, for example. Wage policies are much more effective in dealing with that type of problem. Secondly, a labour market analysis can guide the authorities in allocating ALMP funds over types of measures and over different target groups in such way that the policy objectives are met in an optimal way. Currently, a number of important changes have been made in ALMP spending, of which the move from re-active policies (*i.e.* targeted on long-term unemployment) to pro-active policies (*i.e.* aiming to prevent unemployment becoming long-term) is the most important one. We will argue that the labour market situation should, given the policy priorities and the costs and benefits of ALMPs (weighed against alternative policies), play an important role in the design of labour market policy. Therefore, the drastic demographic and technological changes occurring in society, with their far-reaching consequences for the labour market, will inevitably leave their marks on active policies.

The paper is organised as follows. In Section 2 we discuss the institutional framework of ALMP that determines its organisation and implementation, as well as the considerable system changes that took place in many European countries during the 1990s. Section 3 tries to evaluate these changes in the light of what we know about the impacts of ALMP. Is there any evidence that some systems perform better than others? Is there reason to assume that the changes led to an improved policy? Were the systems altered for the right reason? Section 4 deals with the added value of ALMP in view of market failure and unequal opportunities. Furthermore, this section addresses the question how ALMP could be allocated in an optimal way given the policy priorities, the effectiveness of the measures, their costs and the labour market constraints. The pros and cons of pro-active policies will also be discussed within this framework. In Section 5 some major changes in society and the labour market are treated, and their implications for ALMP discussed. Section 6 contains the conclusions and a number of final remarks.

2. The institutional framework

Up to the 1990s in most OECD countries, particularly the European ones, both the design and the implementation of active policies were largely done by one government organisation, the public employment service (PES). In many countries this organisation was part of the government and it had a very centralised structure. Furthermore, with only a few exceptions, the state held a monopoly in job brokerage. Therefore, the activities of the PES, active labour market policy and the job placement sector were often seen as being more or less the same thing. However, in a number of countries – such as the United States and the United Kingdom – the job placement sector was traditionally organised in a different way, with – for example – a more important role for private agencies. During the 1990s a lot of countries changed their system considerably and there is now much more variety.

We will discuss the following system characteristics of labour market policy:

- Concentration versus de-concentration: is one public or semi-public organisation responsible for the design and implementation of active policies or are employment services divided over a number of government organisations?

- Public versus semi-public administration: is the PES a government organisation or is it administered by, for example, the social partners and the government together?

- Centralised versus de-centralised structure: how much autonomy do regional PES districts and local PES offices have?

- Public employment services and unemployment benefits: is one organisation responsible, and if not, how are the PES and the benefit-paying organisations working together?

- Public versus private employment services: to what extent can employment services be left to the private sector?

- Focus on disadvantaged groups: are the more costly programmes fully targeted on disadvantaged groups, or do they offer assistance to other groups of jobseekers as well?

Concentration versus deconcentration

The main placement service is no longer the only government organisation involved in ALMP organisation and implementation. In a number of countries such as Germany (Walwei, 1997), the Netherlands (de Koning, 1997*a*) and Sweden (Wadensjö, 1997) municipalities play an increasingly important role. The main reason is that in these countries most of the long-term unemployed end up as social assistance beneficiaries, who usually have a low profile in the labour market. In a context of high unemployment and competition from private agencies, the PES gives priority to filling the available vacancies and to meeting employers' demands. Furthermore, in some countries, such as Germany, the PES is also responsible for the payment of unemployment insurance benefits, and concentrates for that reason on those unemployed who are entitled to unemployment insurance. As a result, the PES does not do a lot for social assistance beneficiaries, and the municipalities are left with the problem of placing these people into jobs. Often, the central government provides funding for municipal employment programmes. For example, in the Netherlands municipal agencies were entrusted with the implementation of the schemes for subsidised labour which were introduced during the 1990s. Also in Germany the role of municipalities in schemes for subsidised labour was enhanced (Fuchs and Spengler, 1997, as cited in Schmid, Speckesser and Hilbert, forthcoming). There are two main reasons why this may lead to a less effective policy:

- Municipalities usually focus on job creation measures. It is well known that the transition rates from job creation programmes to regular jobs are low.

- The PES focus on more employable jobseekers may concentrate service provision on those who already have relatively high job chances. As a result, the impact of the measures may be small or even negative.

The involvement of municipalities in labour market policy requires close co-operation with the PES. We will come back to this point when we discuss the relationship between the PES and the benefit-paying organisations.

Who administers the pubic employment service?

Some countries, such as Germany, have a tradition of tripartite administration of the PES involving the government and the social partners. In other countries, such as the United Kingdom the PES is still a government agency. There are also examples of countries (The Netherlands, for example) that introduced the tripartite structure only recently. Basically, the idea behind a tripartite structure is that the involvement of the social partners makes it easier for the PES to make arrangements with sectors and companies. This already points to the context-dependent nature of the tripartite structure. It presupposes that employers and workers are well organised and make arrangements at the sectoral level, preferably within the framework of a general agreement between

the social partners and the government. However, only a limited number of countries, even among the OECD countries, have such highly developed industrial relations.

If a tripartite structure allowed the PES to make better arrangements at the sectoral level and to improve its contacts with individual firms, it might improve the results of active policies. However, does it have these favourable effects in practice? There is not much information. According to the evaluation of the Dutch 1991 reform, which introduced the tripartite structure in The Netherlands, the results were very poor (Dercksen and de Koning, 1996). The tripartite structure increased the number of collective agreements that included provisions for reintegration (*i.e.* hiring) of target groups of unemployed, but these arrangements made hardly any difference to the hiring practices of individual firms. Furthermore, the urge of the social partners to control the operational activities (the day-to-day work) of the PES created a lot of problems. This experience makes clear that an involvement of the social partners in the administration of the PES should only concern the policy objectives and certainly not how the PES is run as a professional organisation.

Private and public employment services

Until the early 1990s private placement activities were severely restricted by law in most EU countries. In these countries the state held a monopoly in job brokerage. In contrast, countries such as the United States and the United Kingdom have a long history of private employment services. During the 1990s many countries abolished the state monopoly and created more room for private placement agencies. In fact, in some European countries private employment services are now more important in terms of vacancy fillings than public employment services (see de Koning, Denys and Walwei, 1999, in their comparative study of eight EU countries).

The reasons for abolishing the state monopoly are twofold. Firstly, it is expected to create more competition in the job placement market, and therefore higher quality services at lower costs, even within the public employment services. Secondly, in line with the general trend towards privatisation, the feeling is that employment services, or at least their implementation, can be left to the private sector to a considerable degree. However, the shift from public to private employment services can have adverse effects. Increased competition from the private sector may force the PES to concentrate its services on the more employable jobseekers. This will probably raise the number of vacancies filled by the PES but it will also tend to reduce the added value of the PES from a societal point of view (this added value is, in fact, the "raison d'être" of the PES). This drawback may not apply to the situation where the PES is still responsible for the design and the implementation of labour market policy but largely contracts the implementation of it out to private agencies. However, then the question is how the PES can ensure that the private agencies provide adequate help to (disadvantaged) target groups. Performance should be measured on the basis of net effectiveness (see the box 1 below). However, measuring net effectiveness is an extremely difficult task which is beset with great uncertainty. It is unlikely that private agencies will agree to payment on the basis of net performance. Therefore, in practice, policy-makers will resort to the use of "easier" indicators, such as placement rates, which are totally inadequate and can even be completely misleading.

Three models of privatised implementation of active labour market policies seem to emerge internationally. In the *Australian* case the PES still determines the type of publicly financed assistance to which unemployed jobseekers are entitled. Then, the jobseeker can choose from a number of organisations or companies that are willing to provide the assistance. The part of the PES that used to be responsible for the delivery of employment services, is privatised and has to compete with the other organisations and companies to attract clients. Payment is partly based on input and partly on output.

In the *Netherlands* too, a part of the PES has been privatised and has to compete with other job placement agencies. However, in contrast to the Australian situation it is not the jobseeker who chooses the organisation or company that will provide the publicly financed assistance, but the benefit-paying organisation. The remaining public part of the PES still determines whether an unemployed jobseeker is entitled to this assistance. In the *Swiss* situation employment offices can decide to contract part of the delivery system to private agencies. In Switzerland the funding of employment offices is based on performance. Therefore, it is believed that offices have an incentive to make use of private agencies as far as it contributes to a better performance. In *Wisconsin, the United States*, the delivery of both benefits and employment services is contracted to an organisation for a certain period of time on the basis of a tender procedure. Since different organisations are selected for different areas, the authorities will continue to have the opportunity to choose from a variety of competing organisations in the future. Hopefully, in the next years the systems in these four countries will be monitored and evaluated, enabling them to learn from each other and to offer guiding lines to other countries.

Box 1. **Gross and net effectiveness**

Policy makers and PES officials still tend to judge ALMPs on the basis of the percentage of the participants that find a job after the programme. This gross indicator of effectiveness, however, is totally inadequate and sometimes even completely misleading, The point is that a certain proportion of the participants would also have found a job without participation in the programme. What matters is the increase in job chances due to the programme, the so-called net effect. The percentage of the participants that would also have made the transition to employment without participation is called the dead-weight loss. Young, skilled male participants of autochthonous origin will usually show high post-programme job entry rates, which tempts the responsible agencies to select unemployed people with these characteristics for "treatment" in the programmes. However, the increase in job entry rates is usually low for these groups, or even negative. Gross effectiveness is usually lower for disadvantaged groups, which leads some people to conclude that participation of these groups in the programme is less useful. Evaluation studies, however, often show that net effectiveness is higher for disadvantaged groups.

The measurement of net effectiveness is extremely difficult. Even a controlled experiment is not a waterproof method. For the measurement of the performance of agencies involved in the implementation of labour market policies, usually non-experimental methods have to be used, which are less reliable. For a detailed discussion of both types of method, we refer to Heckman and Smith (1996).

Control group methods cannot deal with substitution and displacement effects. Both effects imply that active labour market policy helps participants to find jobs, but at a cost to other workers and jobseekers. As a result, the aggregate impact on unemployment may be small. Econometric models using aggregate data have to be used to measure the aggregate impacts. However, for several reasons the results produced by these models are even less reliable than those of the control group approach (see de Koning, forthcoming).

Decentralised versus centralised structure

In many countries the PES used to be a very centralised organisation. Centralised organisations may function perfectly on paper, but from experience we know that their performance is often bad in practice. The lack of incentives is one reason. The central level can decide on everything

but has few instruments to influence the behaviour of the units on the operational level. Therefore, the tendency is to give more autonomy to sections and divisions that are lower in the hierarchy, while also introducing incentives to stimulate output.

A distinction can be made between functional and regional decentralisation. Functional decentralisation may for instance apply to the training activities. Often the PES has training institutions of its own. In principle, they can be granted a lot of autonomy. For example, in Portugal the training institutions are a separate branch within the national PES. However, more often the training institutions fall under the responsibility of the regional boards or districts of the PES. Regional decentralisation seems to be more important than functional decentralisation. Increasingly, national policy makers recognise that it is impossible to determine what is good for a region from the central level.

Just as in the case of privatisation, decentralisation implies that the units which are given freedom to take their own decisions should be judged on the basis of their performance. The funds can then be allocated on the basis of relative performance, which creates incentives. We see the introduction of this type of new management principle, borrowed from the private sector, in a number of countries (see, for example, OECD, 1996, and Mosley and Sol, forthcoming). However, as was indicated earlier, the measurement of net impact is extremely difficult. The regional transition rate from unemployment to employment, which is a possible performance indicator, is influenced by many factors, of which the activities of the PES are only one. Often, the temptation will be strong to use simple indicators such as the (relative) number of placements, which is a totally inadequate indicator.[1] That is one reason why too much regional autonomy may not lead to improved results. Other drawbacks from a highly decentralised structure are (according to the Dutch experience described by Dercksen and de Koning, 1996):

- Each regions develops its own information system, making transregional job brokerage more difficult.

- Regions develop specific service products of their own, implying that it becomes unclear what the PES stands for.

Therefore, we tend to conclude that neither a highly centralised nor a highly decentralised structure will produce optimal results.

Benefits and public employment services

OECD (1997) expressed a preference for a situation in which the payment of unemployment benefits and employment services are part of the same organisation. There are at least two reasons to merge the two:

- Close co-operation between those responsible for benefit payment and those implementing active policies may ensure that unemployed beneficiaries are actively searching for a job and use reasonable job acceptance criteria.

- Unemployment benefits can be used to create subsidised jobs. However, the costs of subsidised jobs will usually exceed the benefit payments. Therefore additional funding is needed from the sources which finance existing labour market measures. Moreover, involvement of the placement service in implementation is also needed because the placement service has the instruments to help people in subsidised jobs moving to regular jobs.

However, some countries such as the Netherlands have been reluctant to integrate the benefit and the reintegration functions (*i.e.* placement and related measures). There are three main arguments:

- Determining the entitlement to and the level and duration of benefits, as well as organising payment of benefits are quite different processes than helping people to find a job. Therefore, on the operational level the two types of activity will always be separated, even when they formally come under the same organisation.

- In a number of countries a considerable part of the unemployed has to rely on social assistance, for which the municipalities are responsible. If the PES is only covering unemployment insurance, such as is the case in Germany, for example, the danger is that active policies concentrate on a limited group within total unemployment. Social assistance beneficiaries will be excluded from active policies. This is not only unjust, but it will also lower the net impact of active labour market programmes because the social assistance beneficiaries, often the more disadvantaged, would often benefit the most from them.

- Integration may lead to a disproportional emphasis on monitoring the beneficiaries in order to discourage inactive search behaviour and involvement in black market activities. As a result, the trust between the counsellor and his client, a precondition for effective job brokerage, may disappear.[2]

There is something to say for integration, but then both types of unemployment benefits should be integrated with the PES. If that is not possible, the alternative is to promote closer co-operation between the three actors involved. It is important that one agency, on behalf of the PES and the benefit-paying organisations, is guiding the unemployed person throughout the unemployment period. This agency should, together with the beneficiary, establish a reintegration plan. The plans should follow from the objectives of labour market policy.

In some countries the objectives follow directly from the wish to minimise expenditure on benefits. In that case active labour market policy is an instrument of social security policy. Privatisation can then take a far-reaching form. Several arrangements are possible:

- The responsibility for both benefits and active programmes is given to a private organisation which is chosen in a tender procedure, and which obtains a license for a certain period (the Wisconsin model). This organisation has the explicit task of reducing total expenditure on benefits and active measures and in doing so it has a considerable freedom in spending the public funds made available.

- The implementation of employment services is contracted out to private agencies but the government remains responsible for the benefits and provides funds for ALMPs (which are then implemented by private agencies). The part of the PES that used to implement reintegration measures is privatised and has to compete in the job placement market. This is more or less the model used for example in Australia (see in Part IV "Introduction of Contestability in the Delivery of Employment Services in Australia" in this volume) and the Netherlands.

- The government involvement in social security is limited to a minimum. Private insurance companies are dealing with unemployment insurance and contract employment services out to private job placement and training agencies. Government funds for active measures are provided to the insurance companies on the basis of output

(for example, a certain amount of money is given when a person from a target group is placed in a job). As far as we know, this system is not in use in any country.

However, are the incentives strong enough to make the system work? In a situation of mass unemployment similar to the situation in the 1980s, the total number of beneficiaries will hardly be affected by labour market policy. Even if there is scope for a reduction in unemployment, will the benefit organisations have the expertise to develop an effective policy? How does the government guarantee that public funds are used to create positive net effects? There is again the danger that gross impact indicators, which are easy to measure, will be used as output indicators.

Full organisational integration of the benefit-paying and the reintegration function does not seem to be necessary, and may not even be desirable. The situation where the benefit-paying organisations, with their lack of experience in labour market matters, receive the funds for reintegration, and outsource employment services to private placement and training agencies does not seem attractive either. Perhaps the best alternative is that benefit-paying agencies and the public employment services work together and establish a joint ("one-stop") office which guides unemployed people with a benefit during their unemployment period. Also in that case implementation of placement and training activities could be (partly) contracted out to private agencies. Furthermore, the co-operation makes it possible to adopt financial incentives (both positive and negative) in the reintegration process. For example, participation in schemes can be made compulsory with a benefit reduction as a possible sanction (this is discussed further in Section 5). Particularly when the implementation of reintegration activities is contracted out this might work out well. The PES would still be a separate entity, which also provides services to employed jobseekers and unemployment jobseekers that do not have a benefit.

Focus on disadvantaged groups

Active labour market policy is supposed to improve both the equity and the efficiency of the labour market process. However, these concepts are usually not clarified. Therefore, often a gap exists between the operational targets of the PES and what it is supposed to achieve in terms of a more equitable and a more-efficiently-operating labour market. The number of job placements is the most commonly used indicator for PES output. There is, or perhaps there was, a common belief that the PES does a good job when it maximises its share in the job placement market. This emphasis on placements was reinforced by the criticism on the PES during the 1980s, particularly by employers. However, there is also pressure on the PES to help the disadvantaged and to improve their chances.

Unemployment is very unevenly distributed between different groups. However, it is impossible for the PES to reach a high market share in hirings unless it offers services to the more employable jobseekers. How then, can the objective of a high market share be reconciled with the objective of helping target groups? The theory put forward was that a high market share was a good thing or even a prerequisite for placement of target groups, because:

- Employers would no longer notify job vacancies to the PES if the latter does not supply more employable jobseekers.

- Placements of more employable jobseekers gain the trust of employers, and make it possible to select disadvantaged persons for application interviews once in a while.

- If the share of disadvantaged groups in placements by the PES is more or less constant, a higher market share means more placements for disadvantaged groups (even if the share decreases the final result may be an increase in placements).

However, there is no evidence underpinning this so-called carrier-wave or slipstream theory. For the Netherlands an econometric analysis was carried out in which the impact of the PES market share on several labour market indicators was tested, but no significant impact was found (Dercksen and de Koning, 1996). De Koning (1997*b*) draws the same conclusion from a international cross-section analysis. However, he does find some evidence for the proposition that a high market share induces a higher vacancy registration rate. This is consistent with the observation made by Bishop (1993) for the United States that the high priority of the PES placed on the most disadvantaged groups led many employers to abandon the PES as a source of referrals. However, we do not think that this is convincing evidence for a market share maximising strategy, since the PES can collect information on vacancies from various sources such as advertisements. In Section 5 we will argue that the new developments in ICT will further reduce the need for job brokerage and related activities by the government. On the basis of the studies cited by Fay (1997), we tend to conclude that the PES as a channel for job search has an added value, which may vary over the business cycle, mainly for disadvantaged groups.

The fact that in the Dutch evaluation no significant relationship is found between the share of the long-term unemployed in the total number of PES placements and the PES market share, does not imply that this share is constant. In fact, a large variation in this share is found between the regions, even after correction for region-specific factors. The number of long-term unemployed placed may be relatively independent from the total number of placements. Furthermore, even if share of the long-term unemployed in the total number of PES placements were constant, the proposition that an increasing market share improves outcomes for the long-term unemployed would not necessarily follow. It assumes that disadvantaged groups only find jobs through mediation of the PES, but in reality also most members of disadvantaged groups find jobs through other channels than the PES. For instance Dutch data show that also the majority of long-term unemployed jobseekers find jobs through other channels than the PES (de Koning, 1997*a*). On the other hand it is well known that unemployed people who receive training through the PES often find a job through other channels than the PES and no placement is counted even when the training has helped the person's entry to work. Therefore, the number of PES placements is a totally inadequate measure of the output of the PES, even of its gross output. What matters is whether the activities of the PES increase the total number of people that find a job and whether it enhances the relative job chances of disadvantaged groups.

3. What do evaluation studies tell us?

General findings

In many countries active labour market policy has been the subject of evaluation. There are two main approaches to this evaluation. The first type of evaluation deals with individual ALMPs. The main focus of this type of study is to determine to what degree programmes improve the job chances of the participants.[3] It uses individual data to determine the (net) effects. Of course, one study can deal with more than one programme. Therefore, this type of evaluation is also used for comparing the performance of different ALMPs. Some studies use several indicators to judge the measures, that is not only the impact on rates of entry to employment, but also other indicators such as the quality of the jobs obtained and the costs. The second type of approach attempts to estimate the aggregate impact of ALMPs. The basic question addressed by this type of evaluation is whether ALMPs as a whole help to reduce total unemployment or total long-term unemployment. The virtue of the latter approach is that it is able to take account of displacement and substitution effects, which is hardly possible in the micro approach. In some cases the aggregate approach is also applied to individual ALMPs although it usually deals with active labour market policy as a whole (where sometimes a broad distinction is made between types of measures).

The micro approach is the most common one. Numerous studies of this kind have been carried out in many countries. In order to estimate the impact of a measure on job chances, participants are compared with a control group of non-participants. The most reliable method is the experimental variant of the control group approach in which a random sample is taken from the target group of the measure.[4] The sample is then randomly assigned to a participant group, which is treated by the measure, and a control group, which does not receive treatment. Then both groups are monitored for a sufficiently long period in order to find out whether the participants are more successful in the labour market than the control group. However, this method has mainly been applied in the United States; applications in other countries are rare. In most cases the control group is formed in a non-random way. Moreover, in ex post evaluations only non-experimental methods can be applied. Sometimes both the experimental and the non-experimental approach are applied to the same measure, and different results are found. However, the general conclusion we can draw from experimental and non-experimental studies is not too different. Most studies find only a small impact and some even a negative one. In American studies only for specific groups positive net effects are found. In European studies it is often found that the net effects are highest for the disadvantaged groups. On the basis of the results it is difficult to say which type of measure performs best, partly because the participant groups differ strongly between the various types of measure.

The number of aggregate impact studies is considerably lower (see de Koning, forthcoming, for a review). Also in this type of study different methods are used, varying from cross-section studies on the basis of data on regions or countries to state-of-the-art time-series models (see de Koning for further references). However, basically the conclusions are very similar to the ones based on micro studies, namely that if there is a positive impact at all, it is relatively small. It should be noted that practically all the studies only deal with short-term effects. We only found one example of a study in which a macro-economic model is used to simulate the effects of ALMPs taking account of general equilibrium effects (Jongen, 1999). However, the results are very similar to the outcomes of earlier micro studies.

Two further observations can be made from the existing literature. First, despite a few exceptions the evaluation studies do not deal with the implementation of ALMPs. Therefore, as Friedlander, Greenberg and Robins (1997) observe, essentially ALMPs are treated as a black box: sometimes the results are positive and sometimes they are negative, but we do not know why. A number of studies that do attempt to relate outcomes to implementation will be treated below. The second observation is that the conclusion that ALMP produces at best small positive results seems to apply to all countries that have subjected their policies to serious evaluation. Given the fact that the way in which ALMP is organised and implemented, differs a lot between countries, we are inclined to conclude that the role of these factors should not be overestimated.

Impact and implementation on the operational level

Implementation of a German wage-subsidy scheme

Schmid (1996) gives a short description of two studies dealing with the implementation of a wage-subsidy scheme for regions with special employment problems in Germany in the early 1980s. On the basis of an analysis of successful performers among the employment offices, the following pattern emerged. Those employment offices performed well that had continuous and close contacts with employers, involved other local organisations in the implementation process and disposed of a good infrastructure of training and counselling institutions.

The National Support Work Demonstration

This was a programme for subsidised labour for high school dropouts and other disadvantaged groups in the United States. Individual participants usually stayed in the programme for a year (sometimes longer). It was hoped that the work experience and the skills gained, would enable participants to move to regular employment. The programme was evaluated using an experimental design (Maynard, 1984). The results were quite discouraging, particularly for young people. However, Long (1987) found that although the results were negative overall, they were positive in those worksites where the participants were supervised by a specifically hired supervisor and which also in other respects adhered more to the Supported Work model as it was intended.

Local co-operation in the implementation of a subsidy scheme for the long-term unemployed in the Netherlands

During the 1980s the unemployment rate reached a level unprecedented in post-war Holland. As unemployment increased so did long-term unemployment. Several measures were introduced to deal with the unemployment problem, some of which were targeted on the long-term unemployed. An example of the latter type of measure was the so-called Vermeend-Moor Act, named after the two members of Parliament who took the initiative for this measure. According to the measure an employer was entitled to a reduction in social premiums as well as to a subsidy for each long-term unemployed person hired. The measure was carried out by the employment offices, which, however differed in their approach:

- Some employment offices introduced separate teams for the implementation, while in other offices this was the responsibility of each counsellor.

- Some employment offices tried to place the target group in vacancies that were already registered (the so-called demand-oriented approach), while others took the target group as their starting-point and looked for new vacancies suitable to the target group (the so-called supply-oriented approach).

- Some employment offices co-operated closely with the municipality (the target group consisted most by of social assistance beneficiaries), while others did not.

- The (relative) number of staff involved in the implementation varied considerably.

Evaluation research (de Koning and Van Nes, 1991) shows that the percentage of the target group placed depended significantly on the implementation approach. Special teams, a supply-oriented approach, more co-operation and more staff input contribute to better placement results. However, due to the fact that these factors are inter-related, it was difficult to say which factors were most important. The results indicated that if all the employment offices had adopted the most effective approach, the total number of placements would have increased by approximately 10%.[5] The dead-weight of the measure was estimated in a separate study (de Koning, 1993) at 20 to 30%. The conclusion from this study is thus that implementation matters, but also that the impact of it should not be over-estimated.

Local co-operation in Sweden

In 1996 two important changes in Swedish labour market policy were introduced. First, in 27 municipalities pilot projects were initiated aimed at strengthening and improving co-operation at the local level between the various agencies and organisations involved. At the same time the

institutional structure of active labour market policy was altered, implying that since then in each municipality, local labour market policy is led by a committee with the chairman and the majority of the members appointed by the municipality. The differences between the "27" and the other municipalities are that the former have committed themselves to implementing a specified set of pilot projects and to bearing at least 25% of the costs of these projects.

Behrenz, Delander and Niklasson (forthcoming) made an assessment of the labour market impact of the institutional changes. Two types of analysis were carried out. In the first one the 27 municipalities were compared with a comparison group of 27 other municipalities with similar characteristics. The hypothesis tested is that the 27 "model" municipalities perform better in terms of job entry rates. For each municipality individual data were available regarding the transition from unemployment to employment, both before and after the institutional change. The results reveal no impact of the change on the transitions. A possible explanation for this rather disappointing result is that, contrary to expectations, the other regions may have changed policies in a similar way to the "model" regions. Therefore, in a second analysis, nine municipalities which differ in the degree to which the local actors co-operate, are compared. However, also this analysis does not provide the evidence that more co-operation increases the chances for the unemployed to find a job.

The authors have several explanations for why more co-operation between the actors involved in the implementation of ALMPs may not improve the latter's performance. One reason is that the representatives of the municipality in the local committees pursue local objectives, while – in the Swedish context – the local representatives of the PES will look at labour market problems more from a national point of view. The authors recommend a more radical decentralisation, which also involves the PES. However, an important lesson we can learn from their study is that co-operation as such does not guarantee success.

The nature and design of individual measures

Intuitively, it seems plausible that for a person with a given set of characteristics one type of measure is more effective than the other one. Furthermore, one would expect that design features of measures matter to their effectiveness. However, there is not a lot of hard evidence to guide us in this respect. Therefore, the conclusions in the next two paragraphs are subject to debate.

There are four main types of active labour market measures: *a)* job search assistance and counselling; *b)* training; *c)* placement and wage subsidies; and *d)* additional labour. There is a thin line between wage subsidy schemes and additional labour. By a wage subsidy scheme we mean a temporary subsidy to place a person in a regular job. We speak of additional labour when an artificial job is created to place a person. Often people can only work in these artificial jobs on a temporary basis. In that case the phrase "temporary work scheme" is normally used. In the remaining part of this section we will also do so. There seems to be some agreement among experts that temporary work schemes are, in terms of post-programme entry rates in regular jobs, the least effective one of the four types of measures mentioned. Therefore, this type of measure should be used as a last resort in case all other measures have failed. Wage subsidies for regular jobs seem only advisable when targeted to specific disadvantaged groups.[6] The use of wage-subsidies on a larger scale could easily lead to distortions on the labour market due to substitution and displacement. Job search assistance and training are usually seen as the most important measures. The relative performance of these two types of measure is unclear. In terms of expenditure training has been the most important measure in many countries. Considering the low education of many unemployed jobseekers, the relatively high skill requirements of most unfilled vacancies and the fact that most likely job requirements will further increase in the future, one is tempted to emphasise the role of training. However, evaluations of training measures often show a relatively low effectiveness. Nowadays, job search assistance is often

seen as the more cost-effective measure, although evaluations to underpin this judgement are lacking. Perhaps, the priority in ALMP will change from training to job search assistance and counselling. This may be particularly the case in countries such as Australia and the Netherlands that have privatised the implementation of publicly financed employment services. In both countries the system will tend to favour relatively cheap instruments that are able to get the maximum number of people as soon as possible out of unemployment. On short term the results may appear satisfactory due to the booming economy in which even disadvantaged groups can easily find a job. However, the question is whether job entry will be sustainable for the latter groups. After a few years we may find that a considerable number of people will become unemployed again due to a lack of skills. Training is more expensive than job search assistance, but the returns may also be higher if we take a long-term perspective.

There are several aspects of training programmes that may influence their effectiveness. In an Irish study O'Connell and McGinnity (1996) find that the connection between training content and job requirements is an important determinant of the success of training schemes. Training in general skills is only advisable when people lack enough of these skills to follow occupational training. In a review of some 50 training studies in the Netherlands de Koning (1998) draws the same conclusion. He also finds that, after correcting for other factors, the completion rate of a training scheme is positively correlated with the job entry rate of the participants in the scheme. A controversial point is whether training of longer duration is more effective than short training. On the one hand one could argue that a substantial investment in training is needed to produce the kind of improvement in a person's skills that makes a difference in the labour market. However, training of long duration also has drawbacks. A person living on a low unemployment or social assistance benefit will prefer entering employment as soon as possible. Moreover, many unemployed have a relatively low education and may not like "returning to school". When training takes to long dropout rates may rise dramatically. Therefore, for large groups of unemployed relatively short training courses with a highly practical content, taking not more than three to six months seem preferable. Once in employment further training may be offered to secure job sustainability.

Gravesteijn *et al*. (1998) have tried to find out which design features determine the success or failure of wage-subsidy schemes and temporary work schemes. In this study, measures from Austria, Belgium, Denmark, Finland, Germany, Ireland, the Netherlands and Sweden are taken into account, although the emphasis is on Dutch studies. The problem in determining the role of design features is that these are highly correlated with the characteristics of the target group. Temporary work schemes show lower transition rates into (fully) unsubsidised employment than wage-subsidy schemes, but the participants in the latter types of scheme usually have a higher profile in the labour market. If possible, placement in a wage-subsidy scheme is to be preferred, but for some people artificial jobs are the only way to offer them a job. However, there is evidence that once into a temporary work scheme people tend to stay in it.[7] There are at least two remedies to deal with this problem. Firstly, jobs in temporary work schemes must not be made too attractive in order to stimulate transition to regular jobs. Secondly, subsidised employment in the private sector must be made possible. In the private sector transition rates to regular employment are significantly higher than in the public sector. However, in order to avoid undesirable side-effects it is important that placement is restricted to the most disadvantaged groups and that placement is only done on a limited scale.

4. The optimal allocation of labour market spending

The importance of a thorough labour market and policy analysis

In the previous section we concluded that the role of the institutional context should not be over-estimated. However, during the 1990s governments made radical changes in the institutional

framework in the expectation that this would enhance the effectiveness of labour market policy. Why did they believe that? The answer is that they misinterpreted the facts of the 1970s and the 1980s. During this period unemployment rose to levels unprecedented during the post-war period, and governments reacted by increasing ALMP expenditure considerably. When no impact could be observed on unemployment, the blame was put on the PES. However, the main cause of the high unemployment was an insufficient labour demand, a problem for which ALMP offers no cure.[8] Only when unemployment and unfilled demand are both high can PES activities have a significant impact on employment. However, during the 1970s and the 1980s unfilled demand was very low and vacancies were easily filled. Since there are many other channels for job search and vacancy filling, and the PES only has a small share in hirings, it is questionable whether in such a situation the PES can make any (net) contribution to the total number of hirings. In such a situation it seems logical for the PES to concentrate on promoting equal chances and reducing long-term unemployment. It was, however, totally misplaced to expect that active labour market policies could have a big impact on total unemployment. Therefore, the reforms carried through during the 1990s were largely introduced for the wrong reason.

The former implies that it is extremely important that decisions concerning the allocation of ALMP expenditure between measures and target groups are based on thorough labour market and policy analyses. What are the causes of the labour market problems and to what extent and in what way can an active policy solve the problems? Remarkably, governments have paid very little interest to this matter. This explains why often the wrong choices were made. Where does the added value of active labour market policy lie, how can the available ALMP funds be allocated over measures and target groups in an optimal way, and how much emphasis should be put on pro-active compared to re-active measures? A more professional attitude towards these issues would benefit labour market policy more than the pre-occupation with institutional matters.

The added value of active policies

The justification for government intervention in the labour market through the use of ALMPs lies in market failure and unequal opportunities. The most important forms of market failure relevant to ALMPs are:

- The lack of labour market transparency. Labour market information is to a large extent a collective good. Therefore, it has to be provided or supported by the government.

- Under-investment in training due to imperfections of the capital market and uncertain returns.

- Downward rigidity in wages, which causes unemployment and insufficient mobility between labour sub-markets.

- Discrimination against ethnic minorities, women and other groups.

- The self-sustaining nature of unemployment. Employers often view unemployment as an indication “that something is wrong” with the person involved, and tend to prefer other groups of jobseekers. Therefore, job chances diminish with longer unemployment duration, which leads in turn to lower motivation and loss of skills of the unemployed person.[9]

Labour market programmes can – to some extent – tackle these problems. In most of the cases the problems refer to disadvantaged groups such as ethnic minorities, the long-term unemployed,

women, the low-skilled and older people. Therefore, programmes should deal with disadvantaged groups in the first place. However, from the list of market imperfections we can also deduce that the tasks of the PES should be broader than that. The lack of labour market transparency is a general problem. Under-investment in training is also a more general problem that not only applies to unemployed people, but also to certain types of firms and groups of workers. The same is true for insufficient mobility. Therefore, the public provision of labour market information, training (targeted on firms and individuals that are likely to under-invest in training) and reintegration measures for disadvantaged groups are the key activities of the PES. The labour market situation will partly determine the policy mix. In periods of mass unemployment the activities of public employment services will concentrate on limiting long-term unemployment and unequal opportunities. However, during periods when firms are having problems in filling their vacancies (as is now even the case in a number of European countries such as Denmark, Ireland, the Netherlands and the United Kingdom) employment services can also play a role in reducing unfilled demand. Job brokerage and training activities may then also be used to stimulate employed workers to move to higher-skilled jobs, allowing the unemployed to take the simpler jobs. Most of the current vacancies are for higher-skilled jobs, which are beyond the capabilities of most unemployed jobseekers, even when they are trained. Of course, counselling and training will also still be needed to improve the employability of the unemployed. In our view job brokerage can largely be left to the private sector. Placement activities in reintegration pathways can be contracted out.

Allocation over instruments and target groups

Is it possible to define the optimal allocation of ALMP expenditure? From a theoretical point of view this is certainly the case. Basically, the problem can be addressed by using the theory of optimal economic policy. In this approach it is assumed that policy priorities can be represented by a mathematical function, the policy or objective function, of the relevant target variables. In our case two types of target variables can be distinguished:

- Indicators for labour market efficiency.
- Indicators for labour market equality.

We then need a model of the labour market in which these indicators are related to each other, to other labour market variables and to ALMP indicators. For example, training of the unemployed may improve labour market efficiency in the sense that both unfilled demand and unemployment are reduced at given levels of labour demand and labour supply. However, when targeted on disadvantaged groups, training may also help to reduce the difference in unemployment levels between different groups. However, other measures such as hiring subsidies may be more appropriate for the disadvantaged than training, or must in any case be combined with it in reintegration pathways. Therefore, the model should distinguish both between different groups and different measures. Given the restriction that total ALMP expenditure cannot exceed a certain amount, we can determine which allocation over measures and target groups maximises the policy function. De Koning (1998) explores the properties of a simple model in which two groups and two measures are distinguished. According to the model the allocation of ALMP expenditure depends on:

- The priorities for the two groups.
- The initial labour market situation of the two groups.
- The effectiveness of the measures for both groups.
- The relative costs of the two measures.

In the optimal situation it is possible that most of the funds available to ALMP are spent on relatively expensive measures for groups with a low job placement rate. High policy priority for these

groups, their unfavourable labour market position and a relatively high net effectiveness of the measure are responsible for this result.

However, is this not just a theoretical exercise, far away from the real world? When we look at the allocation of ALMP expenditure as an operations research (OR) problem it is certainly not. OR techniques and methods are widely used by firms for a variety of problems. In principle it is possible to relate ALMP indicators such as the number of participants to labour market outcomes.[10] The latter form the arguments in the policy function. Information about the costs of the measures is usually available. Attempts to put this idea into practice would help to make the design and implementation of active policies more professional. It should be noted that this approach does not necessarily imply centralised decision making. Instead, the central level could stimulate optimal decision making on the local or regional level by making payment dependent on performance. Local or regional decision makers may then be stimulated to take optimal decisions. The Swiss approach goes a long way in this direction. The central level could then also provide the local or regional level with the tools or models to base their decisions on.

Re-active versus pro-active "treatment"

Currently one can observe a shift in labour market policy from re-active measures to pro-active or preventive ones. The EU guidelines state that each unemployed person who reaches the borderline of one year of unemployment should have had an offer to enter a labour market programme. For young people it is even six months. This pro-active approach is supposed to prevent long-term unemployment. However, there are different views on the usefulness of this approach. Does it really contribute to a reduction in long-term unemployment? Basically, weighing off pro-active and re-active interventions is also an allocation problem.

First of all one might ask whether the new approach will matter much. The proportion of short-term unemployed persons in programme participants has always been considerable. On the basis of the ESF support programmes for Objective 3, which covers a considerable part of ALMP in many EU countries, we estimate that this proportion amounts to 50% at least. Moreover, it may never be possible to prevent long-term unemployment completely. Therefore, the new pro-active approach means at best a shift compared with the past, not a complete break-away.

Assuming that the pro-active approach to active policies does make a difference, this will imply that the number of participants tends to become higher, because unemployed people enter the programmes earlier. There are two problems attached to that. First of all, the available funds may not be sufficient to help so many people. Secondly, applying ALMPs to people who have just entered unemployment, implies that a considerable part of the money is spent on people that relatively easily find a job. In other words: it leads to a higher dead-weight loss? We will concentrate on the second point.

At first sight, a shift from re-active to pro-active policies regarding long-term unemployment seems obvious. Once people are out of work for a long time, it becomes very difficult to reintegrate them in the labour market. Employers tend to assume that long-term unemployment is a person's own fault. In any case they usually consider hiring long-term unemployed people a risky business. Confronted with repeated refusals of applications, the long-term unemployed lose motivation. Furthermore, the longer a person is out of work the higher the probability becomes that she or he loses skills and work rhythm. Employers will see this as a confirmation of their views, a perfect but sad self-fulfilling prophecy. As a result placement rates for the long-term unemployed are low. And although participation in active measures may lead to a relatively high increase in job chances, the resulting job chance may still be low. Therefore, there is much to say in favour of the proposition that the people

involved should receive the treatment before they actually become long-term unemployed. However, this presupposes that:

- It can be accurately predicted at an early stage in the unemployment period that a person will become long-term unemployed or not.

- Application of a measure at an early stage of the unemployment period is equally (net) effective as it is after a person has been unemployed for some time.

In the United States the use of so-called early warning systems for long-term unemployment is common. A demonstration study in Wisconsin in the late 1980s proved that it was indeed possible to detect the high-risk cases. Furthermore, early treatment of the persons involved, contributed to a reduction in long-term unemployment (OECD, 1999). However, there is reason to believe that within the European context prevention of long-term unemployment is much more difficult. The reason is that the unemployment situation is most European countries is a lot worse compared to the United States. In a situation of mass unemployment, becoming long-term unemployed is to a large extent a matter of bad luck. This is confirmed by research. In the United Kingdom the findings induced the responsible authorities to discard the use of an early warning system altogether. In the Netherlands an early warning system was introduced. However, it was acknowledged that among the people entering unemployment, an accurate prediction of long-term unemployment is only possible for some specific groups. For the large majority of the newly unemployed, job chances are still relatively high (de Koning, Olieman and Van der Veen, 1999). Therefore, in order to avoid high dead-weight losses, one has to wait some time and see whether people are still unemployed. In principle, it is possible to determine the optimal timing of the intervention for a person with a given set of characteristics. However, more research is required to obtain the information that would be needed for such an approach.

5. Active labour market policies in the light of major changes in society

The purpose of employment service is to bring labour demand and labour supply together. Major changes occurring on either the demand or the supply side of the labour market (or on both sides) may therefore fundamentally alter the demand for employment services. Furthermore, technological breakthroughs may also have an impact on the technology used in the employment services sector itself, which may affect both the quantity and the quality of employment services. Currently, demographic and technological changes are indeed having a tremendous impact on the labour market. Most likely this will continue to be the case in the near future, perhaps even more so. What do these changes imply for ALMPs and public employment services? Will there still be a need for them in the future? If yes, what type of services will be needed? Answering these questions is essential in order to avoid what often happened in the past, namely that labour market policy tackled the wrong problems.

Demographic developments

The ageing of the population is the most important demographic change that we have to deal with. In the context of the labour market we mean by “older” workers people over 50 years of age. A number of OECD countries combine a low participation of older workers with a rapidly increasing population share of older people. This will affect the size of the labour force negatively. From a mid-term and long-term point of view this poses a serious threat to economic development. In some countries that currently experience bottlenecks in the labour market, this already gives problems.

Other OECD countries are still facing high unemployment, and may welcome a reduction in labour supply in the short term, but eventually they will be in a similar position as the former countries.

Older workers will not stay longer in the labour process automatically. Research indicates that workers have an increased risk of becoming disabled or unemployed at older age, when they do not participate in continuing training and keep on doing the same type of work for the same employer for a long time. Active policies can help to keep workers longer in the labour process by stimulating training and job mobility. To some extent current policies respond to this need. The European Social Fund programme for example contains a sub-programme for co-financing training of workers, although unfortunately older workers were not defined as a target group for the programme. In most countries some of the services provided by the PES are also open to employed jobseekers. However, particularly in the countries experiencing both labour shortages and low participation rates among people over 50 years of age, a shift in ALMP activities from services for older unemployed persons to older workers may be needed.

Increasing "turbulence" on the labour market

Due to the globalisation of the economy, technological development and changing consumer preferences, the structure of labour demand is subject to continuous change. Consequently, job contents change more frequently and job duration shortens. One of the implications of this development is the increasing use of fixed-term contracts. The workers who have to rely on the flexible segment of the labour market may be more vulnerable to unemployment. However, although the share of flexible forms of labour in total employment has increased in many countries, still most workers have a permanent contract and stay with their companies for a long time.[11] The changes in technology and goods markets also imply that certain groups of workers that cannot cope so easily with the changes, become more vulnerable. The decreasing participation rate among older workers may be partly due to this fact. The same is true for the strong overrepresentation of the low-skilled in unemployment in many countries. Even when sufficient employment is available, the reallocation process to re-employ those groups of workers will not automatically run so easily. Who is paying for the training and placement services needed? If a person becomes unemployed there is always the danger of long-term unemployment, and the longer the unemployment duration is the more difficult re-integration becomes. From a societal point of view prevention of transitions from employment to unemployment (and other forms of inactivity) is often profitable, particularly when the person involved is entitled to a benefit. However, for individual companies the costs of keeping a person employed may exceed the benefits. Productivity may be too low compared to wage costs and the returns on training may not be high enough to justify investment in it. Most likely, the same person will continue to be unemployable once he or she is unemployed, unless the government offers some kind of reintegration pathway. This is called the productivity trap. Furthermore, the level and duration of benefits may be such, that inactivity is more attractive than employment, the so-called poverty trap. Countries have looked for different ways to deal with the problem. They try to stimulate "good" transitions (from unemployment to work) and to prevent "bad" transitions (from work to unemployment) not only by traditional ALMPs but also by:[12]

- Enforcing stricter entitlement criteria, shorter benefit duration and lower benefit levels.
- Introducing job acceptance bonuses for the unemployed.[13]
- Introducing bonuses in case of participation in ALMPs.

- Making it more attractive to employers to hire low-paid and long-term unemployed people by exempting employers from paying (part of the) social premiums for these groups.

- Introducing experience rating in social security, implying that employers have to pay higher premiums when they lay off workers who then claim unemployment benefits.

An interesting feature of these measures is that they do not require an extensive implementation system. There is some evidence that introducing this type of measures may work. Dutch research by Van den Berg, Van der Klaauw and Van Ours (1998) indicates that sanctions for beneficiaries stimulate job acceptance and reduce the length of unemployment spells. As far as we know the impact of positive incentives for beneficiaries is unknown. We tend to agree with the warning made by the OECD that bonuses in case of participation in ALMPs may hinder the transition to regular jobs. In Canada and the United States experience rating is already used for some time. In a number of countries, schemes for wage cost reduction by exempting employer's premiums exist. However, it is doubtful whether incentives in the unemployment benefits system are sufficient to deal with the problem. Individual companies, particularly the smaller ones, will find it difficult to organise outplacement for workers who have become redundant. Co-operation between companies on sectoral level may offer a solution. However, the government also has a role to play in offering labour market information, enhancing training, and, in some cases, subsidising outplacement activities. This also calls for a shift towards services for employed jobseekers in danger of losing their job.

Developments in the information and communication technology

The developments in the information and communication technology affect the demand for employment services, but will also have a big impact on the products and the production process in the employment services sector. Many new private companies have emerged that use the Internet to match vacancies and jobseekers.[14] The services can be highly automated and relatively small investments in equipment and staff are required. The main argument in favour of the PES setting up an information system for vacancies and jobseekers is that the investment involved was so high and the externalities so strong, that it has to be a public activity. Now, this is no longer so self-evident.

The use of the Internet will both lead to an increase in the supply of employment services and to substitution with traditional channels for job search and the filling of vacancies. It is not yet clear how big the substitution effect will be. Most likely, newspaper advertisements will be affected most. However, job placement agencies, either private or public, should also take account of loss in market share. How big this loss will be, depends on the further development in technology. In principle, job application interviews can be done with the use of the new technology. Probably, video-conferencing will be available in a satisfactory form in a couple of years. Answers to electronically available questionnaires can be processed easily when using the appropriate software. For future generations, communication by electronic means will be more common and acceptable. Therefore, the new technology can have far-reaching consequences for the employment services sector.[15]

For the government the improvement in matching technology of the private placement sector due to the use of the Internet implies that job placement activities can be left even more to the private sector. However, the government will keep a general responsibility for the provision and availability of labour market information. There may also be a need to help specific groups in using the new medium. Groups such as older people and the lower-educated may not be able to use the new technology, and these are precisely the groups that are over-represented among the hardcore in unemployment. Does the new technology not increase unequal opportunities? There is a point in this. Therefore, the government may develop training programmes for the unemployed and other

disadvantaged groups to teach them how to use the Internet. Furthermore, employment offices can offer facilities for the use of the Internet in job search. The general expectation is that the use of the Internet will rapidly grow. The new Internet agencies, which used to work for the higher educated segment mainly, observe a growing interest of people with secondary education. Most likely, in a few years this development will extend to the lower educated segment, particularly when the technology will become more user-friendly.

The new technology will also affect training. The use of the Internet as a medium for training will make training less dependent on time and place, and thus more flexible. Moreover, training may become cheaper. Given the fact that the need for life-long learning calls for an increase in training activities, ICT can help to realise that. Our impression is that in many OECD countries both the PES and the private agencies are actively exploring the possibilities of the new medium.

6. Conclusions and final remarks

The key to improving active labour market policy is to be found in thorough labour market and policy analyses. What forms of market failure lead to labour market inefficiency, and therefore create unemployment and unequal opportunities? What can active policies do to solve the problems in the labour market? However, it is equally important to recognise the limitations of what active measures can do. The use of active policies should always be weighed against other types of policies. Governments are still hardly paying attention to these points and overemphasise the role of the institutional framework of ALMPs. This may be understandable from a political point of view, but it is in our view the main cause for the persistently low net effectiveness of ALMPs.

Good labour market and policy analyses may lay the foundation for a more professional approach to labour market policy. One of the corner stones in this approach could be the idea to optimise the allocation of ALMP expenditure over regions, measures and target groups given the objective function (which reflects the policy priorities), the labour market situation, the effectiveness of the measures and their costs. The allocation of funds between pro-active and re-active measures can also be determined within this framework. At the moment, perhaps too much emphasis is put on prevention of long-term unemployment. For many groups of unemployed long-term unemployment cannot be adequately predicted at the early stage of unemployment. Even when an early identification system is used long-term unemployment cannot be prevented completely, and re-active measures will also remain necessary. ALMPs should concentrate on three types of activity: the collection (as much as possible from other sources) of labour market information and the provision of it to a broad audience, training (in those cases where under-investment is likely to occur) and reintegration pathways for disadvantaged groups. Targeting is almost always essential in order to create net effectiveness. The policy mix chosen will vary with the business cycle. Job brokerage can to a large extent be left to the private sector, which may act as a subcontractor in reintegration pathways.

Governments overestimate the role of the institutional framework. This framework varies considerably between the countries, but there is no evidence that some of these systems perform better than others do. However, we do not deny that the organisation and implementation of active policies matter to the outcomes. The problem is that it is difficult to draw clear conclusions on these matters from the available information. Perhaps, the impact of organisation and implementation is highly context-dependent. Therefore, the following propositions are only partly based on empirical research and also reflect the author's views.

Firstly, we make the proposition that active policies must be judged on the basis of their added value or net effectiveness. They must lead to an increase in job chances, at least of those of the disadvantaged. However, net effectiveness is extremely difficult to measure. Therefore, we are

somewhat sceptical about the current trend to give for-profit employment agencies a key role and highly decentralise the delivery system. We opt for less radical solutions which imply improved co-operation between the PES and the benefit-paying agencies, and a holding structure of the PES. Implementation can be largely contracted out, although perhaps not completely to the private sector. Contracting creates more flexibility, which has the advantage that the scale of the ALMP activities can be varied through time more easily. In some countries we already see that unemployment levels are such that the PES has to reduce its capacity. However, subcontracting (just as decentralisation) requires careful monitoring and evaluation under responsibility of the PES.

The major demographic and technological changes occurring in our societies will have a profound influence on public employment services. The structure of labour demand and the contents of jobs are subject to continuous change. Therefore, the risk of losing one's job will increase, even when demand and supply are more or less of equal size on the macro level. Older workers are most vulnerable. The increasing turbulence in the labour market and the ageing of the population therefore call for a shift in public employment services from services for the unemployed to services for vulnerable groups among the employed. In order to manage the transitional labour market properly, life-long learning and life-long mobility have to be put into practice. The government has an important task in facilitating and stimulating this development.

There is no doubt that ICT will play a key role in the future developments in the employment services sector. The use of the Internet lowers the costs of labour market information and intermediary services, which will further reduce the need for job brokerage activities by the government (although subsidies for job placement of certain groups will still be needed). Web-based training will be less dependent of time and place compared to traditional forms of training, and will (in the long-term) also be cheaper. In many countries the Internet is already used in job placement and training activities for workers as well as for the unemployed.

The need for publicly-financed employment services will remain. Furthermore, it is efficient that a professional organisation, the PES, develops, monitors, evaluates and manages these services. The major break-away from the past is that implementation will be largely subcontracted. Furthermore, co-operation with the benefit-paying agencies will be intensified. Finally, incentives in the unemployment insurance system, which hardly need an infrastructure for implementation, will partly replace traditional active policies. Finally, a larger proportion of the ALMP funds will be spent on services for vulnerable groups among employed workers. However, in spite of these important changes, the new system will show a lot of continuity with the old one.

NOTES

1. Evidence that the use of job entry rates as a target leads to the selection of higher-profile candidates is given by Mosley and Degen (1994) who studied output based funding of training in the United Kingdom. It is highly likely that the creaming involved will lower net effectiveness.

2. As Sol (2000) points out, this was precisely the reason why in the 1960s, admittedly in a very different labour market situation, the OECD was still in favour of a functional separation between unemployment insurance and public employment services.

3. Reviews of impact evaluations of ALMP participation are given in OECD (1993), Fay (1996) and Friedlander, Greenberg and Robins (1997).

4. The random-assignment method is not waterproof. People may refuse to take part in an experiment and during the experiment they may drop out, to mention only two problems with this method. For a more extensive discussion of the pros and cons of this method and the non experimental one, we refer to Heckman and Smith.

5. The maximum effect for optimal implementation of the Vermeend-Moor Act in an individual employment office is approximately 30%, but the overall effect is smaller because a number of offices already used the optimal approach.

6. Stern *et al.* (1995) made a review of wage-subsidy evaluations. On the basis of the outcomes they are sceptical about the effectiveness of a general wage-subsidy scheme for all people unemployed over 12 months, which is already a sub-population of the total pool of unemployed. It should be noted that their definition of wage-subsidy schemes also covers temporary work schemes. For example, two of the Dutch schemes discussed in their report are or include temporary work schemes.

7. Either they move from one subsidised temporary job to the other or they leave the scheme for some time and then enter it again.

8. In the long-run ALMPs may be able to make unemployed people with a long "distance" to the labour market employable again. However, if their reservation wage increases this will prolong unemployment duration.

9. Layard and Nickell (1986).

10. The aggregate impact analyses as described in de Koning and Mosley (forthcoming) indicate that relating ALMP indicators to labour market is feasible for a number of OECD countries. In countries such as the Netherlands and Sweden, attempts have been made to relate PES inputs to PES outputs, which can be seen as a first step in a OR model of the PES.

11. According to the *OECD Jobs Study* (OECD, 1994) the changes in job tenure during the 1980 have been relatively small. Decreasing tenures were observed among young workers, but not among older workers. Perhaps, the latter observation is biased by the fact that an increasing proportion of the older workers left employment.

12. There are several other options as well. Some years ago Denmark introduced subsidy schemes for educational, sabbatical and parental leave, according to which unemployment persons temporarily take the place of the workers on leave. According to Schmid (1998) the government should stimulate temporary transitions from work to education and other activities (such as care for family members), and vice versa. He thinks that this is in line with the individual's preferences and the social and economic needs of society. Furthermore, it will create more job opportunities for those who are more or less permanently excluded from the labour market. In Schmid's views ALMPs are essential in order to reintegrate the excluded. The concept of a "transitional labour market" as defined by him refers to a situation in which individuals make transitions between work and non-work activities on a regular basis, but in which the government manages to prevent transitions from work to non-work from leading to permanent exclusion from the labour-market.

13. An alternative to job acceptance bonuses is to change the tax system in order to increase the difference between gross and net wages.

14. With the use of the Internet, jobseekers also contact employers directly, since the latter often announce vacancies on their web-site.

15. There is a rapid increase in the use of the internet for job search and vacancy filling. In 1999, 29% of the high-skilled jobseekers in the Netherlands considered the internet an important source of information for job search. In 1998 this was only 12%. Recently, the secondary skilled and even the low-skilled seem to follow their higher skilled colleagues (Gelderblom, 1999).

BIBLIOGRAPHY

BEHRENZ, L., L. DELANDER and H. NIKLASSON (forthcoming), "Towards Intensified Local Level Co-operation in the Design and Implementation of Labour Market Policies: An Evaluation of Some Swedish Experiments and Reforms", in J. de Koning and H. Mosley (eds.), *Active Labour Market Policy and Unemployment*, Edgar Allen.

van den BERG, G.J., B. van der KLAAUW and J.C. van OURS (1998), *Arbeidsmarkteffecten van sancties in de RWW* (Labour market effects of sanctions in social assistance benefits), Working Paper No. 75, Ministry of Social Affairs and Employment, The Hague.

BISHOP, J. (1993), "Improving Job Matches in the US Labor Market", *Brookings Papers on Economic Activity*, No. 1, pp. 335-400.

DERCKSEN, W. and J. de KONING (1996), *The New Public Employment Service in the Netherlands (1991-1994)*, Discussion Paper FS I 96-201, Wissenschaftszentrum Berlin für Sozialforschung.

FAY, R.G. (1996), *Enhancing the Effectiveness of Active Labour Market Policies: Evidence from Programme Evaluations in OECD Countries*, Labour Market and Social Policy Occasional Papers No. 18, OECD, Paris.

FAY, R.G. (1997), *Making the Public Employment Service more Effective through the Introduction of Market Signals*, Labour Market and Social Policy Occasional Papers No. 25, OECD, Paris.

FRIEDLANDER, D., D.H. GREENBERG and Ph. K. ROBINS (1997), "Evaluating Government Training Programmes for the Economically Disadvantaged", *Journal of Economic Literature*, Vol. XXXV, pp. 1809-1855.

FUCHS, L. and I. SPENGLER (1997), *Kommunale Beschäftigungsförderung. Ergebnisse einer Umfrage von 1997 über Hilfen zur Arbeit nach dem BSHG und dem AFG,* Deutscher Städtetag, Köln.

GELDERBLOM, A. (1999), *De effecten van Internet voor de arbeidsmarkt (the effects of the internet for the labour market)*, Institute for Labour Policy Research, Rotterdam.

GRAVESTEIJN, J.H., M. ARENTS, K. JONKER, R. OLIEMAN, J. de KONING and P.J. van NES (1998), "Wordt succes bepaald door de vorm?: onderzoek naar de doorstroom van gesubsidieerde naar reguliere arbeid" (Is success determined by design features?: study into the transition from subsidised to unsubsidised labour?), Elsevier, The Hague.

HECKMAN, J.J. and J.A. SMITH (1996), "Experimental and Nonexperimental Evaluation", in G. Schmid, J. O'Reilly and K. Schömann (eds.), *International Handbook of Labour Market Policy*, Edward Elgar, Cheltenham.

JONGEN, E.L.W. (1999), "What Can We Expect from Subsidies for the Long-term Unemployed?", *De Economist*, Vol. 147, No. 2, pp. 205-228.

de KONING, J. (1993), "Measuring the Placement Effects of Two Wage-Subsidy Schemes for the Long-term Unemployed", *Empirical Economics*, Vol. 18.

de KONING, J. (1997*a*), *Deregulation in Placement Services: the Case of the Netherlands*, NEI.

de KONING, J. (1997*b*), "Ways to Work: the Role of Public Employment Services in a Deregulating Economy", NEI Working Paper No. 1997/1.

de KONING, J. (1998), "Training for the Unemployed in the Netherlands: What do We Know after more than 50 Evaluation Studies?", NEI Working Paper No. 1998/2, Rotterdam.

de KONING, J. (forthcoming), "Models for Aggregate Impact Analysis of Active Labour Market Policy", in J. de Koning and H. Mosley (eds.), *Active Labour Market Policy and Unemployment*, Edward Elgar.

de KONING, J., J. DENYS and U. WALWEI (1999), *Deregulation in Placement Services: A Comparative Study for Eight EU Countries*, European Commission, Directorate-General for Employment, Industrial Relations and Social Affairs.

de KONING, J. and H. MOSLEY (forthcoming), *Active Labour Market Policy and Unemployment*, Edward Elgar.

de KONING, J. and P.J. van NES (1991), "A Quantitative Approach to Process Evaluation: the Case of the Vermeend-Moor Act", *Government and Policy*, Vol. 9, pp. 111-118.

de KONING, J., R. OLIEMAN and C. van der VEEN (1999), *The Chance Meter: Measuring an Individual's chance of Long-term Unemployment*, NEI.

LAYARD, R. and S.J. NICKELL (1986), "Unemployment in Britain", *Economica*, Supplement 53, pp. 121-170.

LONG, D.A., (1987), "Analyzing Social Program Production: An Assessment of Supported Work for Youths", *The Journal of Human Resources*, Vol. XXII.

MAYNARD, R. (1984), "The Impacts of Supported Work on Youth", in R.G. Hollister, P. Kemper and R. Maynard (eds.), *The National Supported Work Demonstration*, Madison.

MOSLEY, H. and C. DEGEN (1994), *The Reorganization of Labour Market Policy: Further Training for the Unemployed in the United Kingdom*, WZB Discussion Paper FS I 94-205, Wissenschaftszentrum Berlin für Sozialforschung.

MOSLEY, H. and E. SOL (forthcoming), "Process Evaluation of Active Labour Market Policies and Trends in Implementation Regimes", in J. de Koning and H. Mosley (eds.), *Active Labour Market Policy and Unemployment*, Edward Elgar.

O'CONNEL, PH. and F. MCGINNITY, *What Works, Who Works? The Impact of Active Labour Market Programmes on the Employment Prospect of Young People in Ireland*, WZB Discussion Paper FSI, pp. 96-207.

OECD (1993), *Employment Outlook*, Paris.

OECD (1994), *The OECD Jobs Study: Evidence and Explanations. Part II: The Adjustment Potential of the Labour Market*, Paris.

OECD (1996), *The Public Employment Service in Denmark, Finland and Italy*, Paris.

OECD (1997), *Enhancing the Effectiveness of Active Labour Market Policies: a Streamlined Public Employment Service*, Paris.

SCHMID, G. (1996), "Process Evaluation: Policy Formation and Implementation", in G. Schmid, J. O'Reilly and K. Schömann (eds.), *International Handbook of Labour Market Policy Evaluation*, Edward Elgar, Cheltenham.

SCHMID, G. (1998), *Transitional Labour Markets: A New European Employment Strategy*, WZB Discussion Paper FS I 98-206, Wissenschaftszentrum Berlin für Sozialforschung.

SCHMID, G., S. SPECKESSER and C. HILBERT (forthcoming), "Does Active Labour Market Policy Matter? An Aggregate Impact Analysis of Germany", in J. de Koning and H. Mosley (eds.), *Active Labour Market Policy and Unemployment*, Edward Elgar.

SOL, E. (2000), *Arbeidsvoorzieningsbeleid in Nederland. De rol van de overheid en de sociale partners* (Active labour market policy in the Netherlands: the role of the government and the social partners), Phd Thesis, Sdu Publishers, The Hague.

STERN, J., C. WILLIS, N. FRANCIS and R. GOODYER (1995), "OECD Wage Subsidy Evaluations: Lessons for WORKSTART", NERA, London.

WADENSJÖ, E. (1997), *Effects of Deregulation in Placement Services: National Report for Sweden*, Swedish Institute for Social Research.

WALWEI, U. (1997), *Effects of Deregulation in Placement Services: National Report for Germany*, IAB.

IMPLEMENTATION ISSUES IN FINLAND: EXPERIENCES, DEVELOPMENTS AND CONTEXT OF LABOUR MARKET POLICY MEASURES

Dr. Heikki Räisänen[1]
Ministry of Labour, Finland

1. Introduction and general motivation

This paper discusses Finnish experiences of the changing labour market situation and policies to achieve a better functioning labour market. Emphasis is given both to characteristics of individual measures and the policies behind them. Some indications of success of the policies are also discussed. Since 1998, a comprehensive labour market policy reform has been implemented. This paper discusses the background, context and aims of the reform and identifies a couple of decisive aspects of the labour market policies.

Why is Finland an interesting policy example in the field of labour market policy? First of all, the economic and labour market circumstances and policies have experienced dramatic changes in a short time. Also, for a long period of time, labour market policy was developed to a great extent solely in a national context, but in the 1990s international influences increased. In addition, since 1995 EU membership has led to changes in the field of labour market policy.

2. Background in Finland

Finland has a long history of labour market policy. Various functions of what we today call the PES (Public Employment Service) were implemented already in the late 19th century (before Finland's independence in 1917). Occasional public "emergency aid work" was organised in Helsinki from winter 1885-86 on, other major cities following some years later. Job-broking offices were founded during 1901-03 in major cities. Training to combat winter unemployment was organised in the early 1900s. Unemployment insurance was a hot political issue one hundred years ago. According to Kalela (1989, p. 19), the debates in Parliament in 1907-14 were especially important for the ways of thinking about state unemployment policy until the 1960s! The first unemployment insurance committee was founded in 1908.

Both subsidised jobs and labour market training (LMT) go back many years. To skip directly from the "pre-history" of Finnish labour market policy to the 1960s, at this time the changing structure of the economy encouraged increased attention to skills, education and training, instead of "public works" which had provided rather low-skill jobs in forestry and road-building projects. Also in the 1960s, passive income support became available. At the beginning of the 1960s, other Scandinavian states spent most of their unemployment costs on unemployment insurance, but in Finland it did not have a significant role (Kalela, 1989, p. 188).

The importance of public work schemes was characteristic of the Finnish labour market policy. This “work line” was often criticised because of the low productivity of those jobs, but also because of the new developments in the labour market and because of “speculation”[2] in state and municipal economies which sought to take advantage of ALMPs (active labour market policies) to transfer cost burdens to the central government. The 1971 Employment Act stipulated for the first time that, as a rule, an unemployed person should be offered a job corresponding to his or her skills or experience. Also vocational training was given much more attention in preventing unemployment. In 1966, a law on vocational training courses had come into force and three years later a vocational training offer was ruled to be equivalent to a job offer, *i.e*. turning down such an offer prevented one from getting unemployment benefits.

As Finland is a relatively sparsely populated country (with approximately 5.1 million inhabitants, and 2.5 million in the labour force, of which 2.2 million are employed) and has a relatively large territory, regional mobility is of vital importance in avoiding labour market mismatches. Economic development in the southern and western parts of the country has been stronger than in the eastern and northern parts, where a number of people have moved away to get jobs in the south. In the past decades, many also moved to Sweden.

In international terms, the development of the Finnish society within a couple of post-war decades from an agrarian society into one of the most developed information societies has been very rapid. This structural change means that many people have lost their occupation and have been forced to move or get themselves trained to get a job.

Many labour market policy measures have been developed, such as labour market training since the 1960s to tackle skill shortages, self-employment start-up grants in the mid-1980s, and a marginal employment subsidy for the private sector in 1988.

Kalela describes labour market policy as inventing “tricks”, and he describes the Employment Act of 1988 as representing a continuation of the “period of tricks”. Under this act, the state and the municipalities were obliged to hire 18-19 year-olds and long-term unemployed persons (Kalela, 1989, p. 201) in a six-month temporary job, with a substantial subsidy from labour market policy funds. This was considered to be an application of the constitutional right to work, which has subsequently been changed. The constitution was changed in 1995 so that the state still has an obligation to promote employment, but this obligation is not as binding as the previous one. It is important to note that this former *right to work* was implemented as an *obligation* for the state and the municipalities *to hire* long-term unemployed persons and 18-19 year old youngsters. This obligation seemed to work at first, but it also caused severe problems in the labour market. At first, the number of long-term unemployed declined precipitately to no more than one registered unemployed person in 32 in 1990.

However, as recession took hold in 1992, in spite of the major financial and administrative efforts the state and municipalities were not able to find jobs for all unemployed persons who had a right to one. By the end of that year, obligations without implementation totalled 35 000 (Skog, 1996) and the law was abandoned. It was also observed that automatic right to a job prevented the unemployed from taking other job options until the twelve-month-stage of unemployment. This was also true for training options. If one was eager to get a placement based on the right to work, and could not rely on finding open market job after training, the fact that breaks in unemployment spells put the “unemployment duration clock” back to zero could discourage entry to training. A remarkable share of the resources available for labour market policy were devoted to these obligations and when the demand for labour collapsed, the chances for unemployed persons to find suitable unsubsidised jobs, when the temporary subsidised job ended, were poor. Skog calls these employment obligations "ritual kind of employment" (Skog, 1996, p. 4). Today we believe that policy strategies which destroy the

selectivity of labour market policy will be unsuccessful, like the right-to-work policy was. It has sometimes been asked, how it was possible to persuade the municipalities and government institutes like universities to create enough new jobs to fulfil the obligations. The answer is that they were not persuaded, instead they were ordered to do so by the government.

Later evaluations in the 1990s (Aho *et al.*, 1996, 1999) with individual-level register-based longitudinal data (which cover the entire labour force) showed that even if the impact of participation these programmes was positive, as evaluated in terms of before-and-after labour market status using pairwise-matched non-participants as controls, the real effectiveness of this policy was negative and the worst of all labour market policy measures. The underlying reasons are obvious: the participants knew they had hardly any chances of getting a permanent job, but know that a break would come for sure at a certain unemployment duration, and this probably discouraged job-search efforts. Also, the public employers knew they could not keep even the most qualified workers, instead they had to hire new unemployed staff on temporary contracts. It is clear that many individuals benefited from these jobs, as did many public institutions. However it can be concluded that this "right to work" policy was not based on thorough analyses on the way the labour market functions, and that when the situation of the market changed, it did not work properly and had no flexibility.

3. From the recession of the 1990s to the path of growth

As the recession of the 1990s hit Finland heavily, the unemployment rate rose from a 3% level of practically full employment up to about 17½% (labour force survey statistics) at its worst in 1994 in just a couple of years. Since then, the rate has gone steadily down and the employment rate of 15-64 year-old persons has risen to reach 66% in 1999. The economic reasons for the depth of the recession were various, *e.g*. rapid liberalisation of monetary markets, the collapse of the Soviet Union and some Finnish export industry branches and simultaneous difficulties in the Western markets.

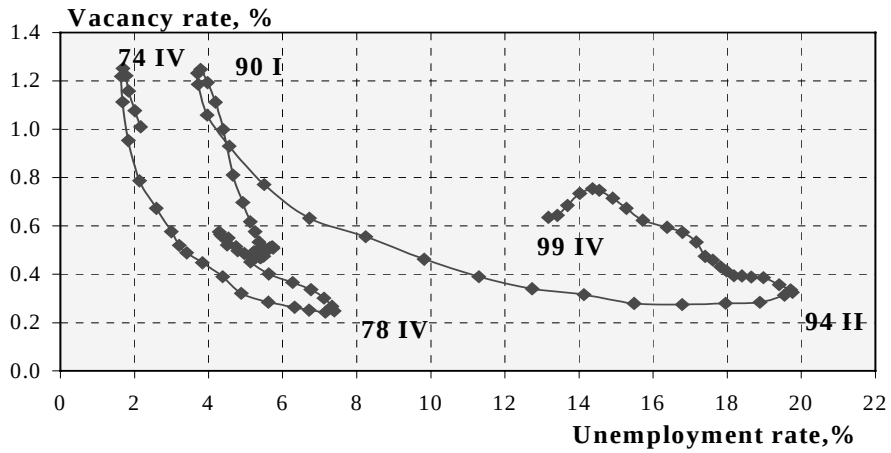
In 1999, the unemployment rate was about 10% (Statistics Finland, 1999). However slow the decrease in unemployment may appear, this is "one of the steepest declines ever recorded in the OECD area in such a short period" (OECD, 1998, p. 2). The dramatic changes in the functioning of the labour market are presented in the shifts of the UV-curve out of the origin (Figure 1). An increase in flows both into and out of unemployment in the 1990s, to about 1.5 times the levels of the 1980s (Figure 2), is an important feature. Long-term unemployment, which was practically non-existent under the right-to-work policy of the early 1990s, rose rapidly as the hiring obligations were abandoned (Figure 3).

In the first years of the recession period of the 1990s, the government had to spend more and more resources to finance unemployment benefits and other indirect costs, notably the municipal means-tested subsistence allowance and housing allowances, caused mainly by unemployment. Income taxation and work-based indirect taxation reached record levels. The state budget deficit was higher than ever before. It was very difficult under those economic circumstances to increase active spending on labour market policy (see Figure 4 for the relation between active and passive costs), especially as the demand side of the economy remained in recession for several years. The actual duration of the recession in terms of the number of years of job loss varied at the municipal level from four to ten years, according to Myrskyla (1999). The first areas to face recession were the last to climb out: there are municipalities where ten years of job losses have just come to an end and others with five years of good job growth already behind them. In some areas, as much as 40% of jobs were lost in the recession.

In 1993 and 1994, subsidises for hiring the long-term unemployed continued to be available to both government and private sector employers. Under pressure from local employment offices and

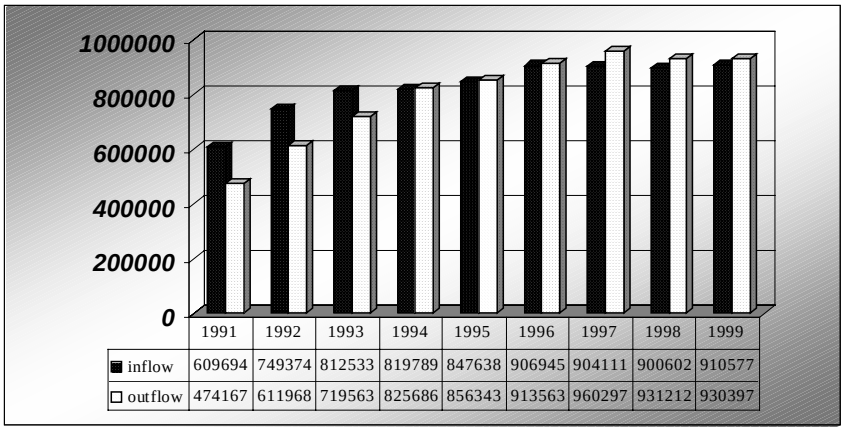
the unemployed, government temporary jobs were usually made available to the unemployed before their unemployment benefits expire (after two years of unemployment). This led to specific problems, for example, it could be advantageous not to participate in LMT early in a benefit period because people with a long record of uninterrupted unemployment had priority for subsidised jobs towards the time of benefit exhaustion.

Figure 1. **Unemployment-vacancy relationship, 1974-99**



Source: Ministry of Labour quarterly statistics for PES vacancies and registered unemployment.

Figure 2. **Number of new (inflow) and terminated (outflow) periods of unemployment, 1991-98**



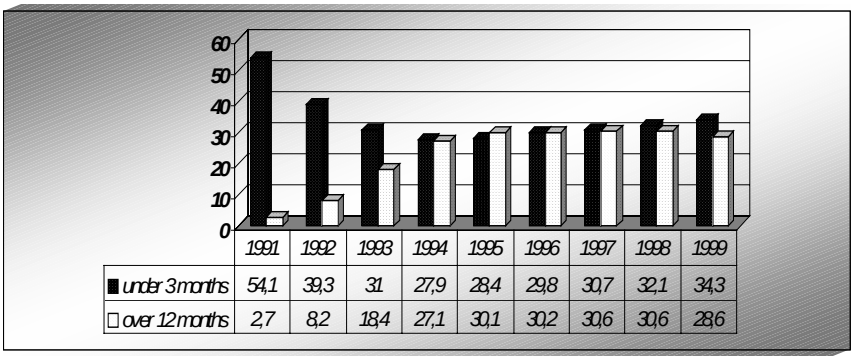
	1991	1992	1993	1994	1995	1996	1997	1998	1999
inflow	609694	749374	812533	819789	847638	906945	904111	900602	910577
outflow	474167	611968	719563	825686	856343	913563	960297	931212	930397

Source: Ministry of Labour statistics.

In 1994, the economy turned back to a path of growth, which has continued since then at about 5% annual GDP growth levels, which is above the long-term average of approximately 3%. This economic turning point created new possibilities for active labour market policy. Labour market training began to be targeted more on the demands of the recruiting employers, instead of general improvement of qualifications or preparatory training; employment subsidies were developed to act like skill-building measures and to take the functioning of the labour market into account. In 1995 the employment subsidy system was reformed so as to integrate subsidies more with other labour market

measures and to shift the emphasis from temporary terminations in unemployment periods to qualifying measures. This means that individual paths, *i.e.* combinations of training, vocational rehabilitation and employment measures were made possible. Private sector employers were required to offer permanent contracts when hiring with a subsidy in order to make the effects of the subsidy more long-lasting and to avoid immediate return to unemployment after the subsidy period (Skog, 1994).

Figure 3. **Short-term and long-term unemployment as a proportion of total unemployment, 1991-99**

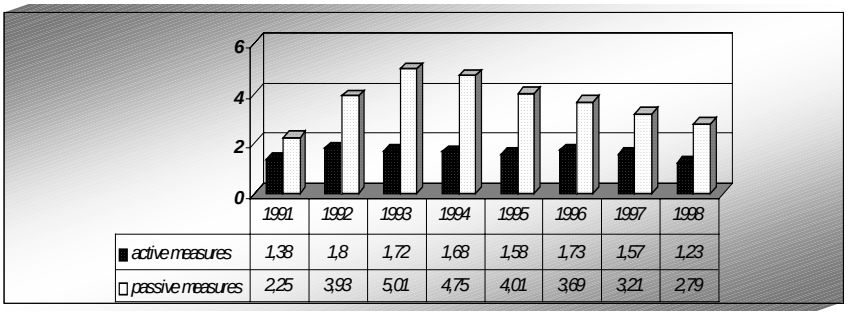


	1991	1992	1993	1994	1995	1996	1997	1998	1999
under 3 months	54,1	39,3	31	27,9	28,4	29,8	30,7	32,1	34,3
over 12 months	2,7	8,2	18,4	27,1	30,1	30,2	30,6	30,6	28,6

Source: Ministry of Labour statistics.

Figure 4. **Public expenditure on active and passive labour market policy measures, 1991-98**

Percentage of GDP

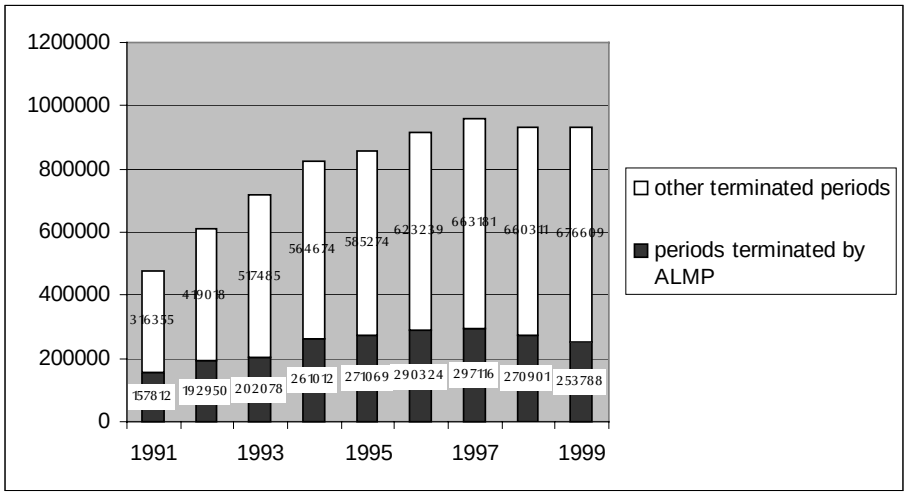


	1991	1992	1993	1994	1995	1996	1997	1998
active measures	1,38	1,8	1,72	1,68	1,58	1,73	1,57	1,23
passive measures	2,25	3,93	5,01	4,75	4,01	3,69	3,21	2,79

Source: OECD (1999).

Participation in labour market policy measures was increased to 5% of the labour force on a stock basis (a total of 125 000 persons) in order to decrease open unemployment and increase the employability of the unemployed (see Figures 5-7). Avoiding total exclusion from the labour market was also seen as an important objective of this policy. The most important policy measures used were subsidised employment (consisting of direct job creation and employment subsidies) and LMT programmes (Figure 6). In Finland, these programmes, however, mean a large variety of separate and more specifically-targeted sub-programmes (*e.g.* start-up grants are one form of private sector employment subsidies). The government target of 5% was administratively clear and attainable (it was easy to monitor statistically, it assisted in keeping the unit costs of individual measures down, many persons with long unemployment duration were offered new activities to re-enter a job), but the labour

Figure 5. **Unemployment periods terminated by active labour market policy measures and other terminated periods, 1991-98**



Source: Ministry of Labour statistics.

Figure 6. **Unemployment periods terminated by main categories of labour market programme, 1991-98**
Percentage of all terminated unemployment periods

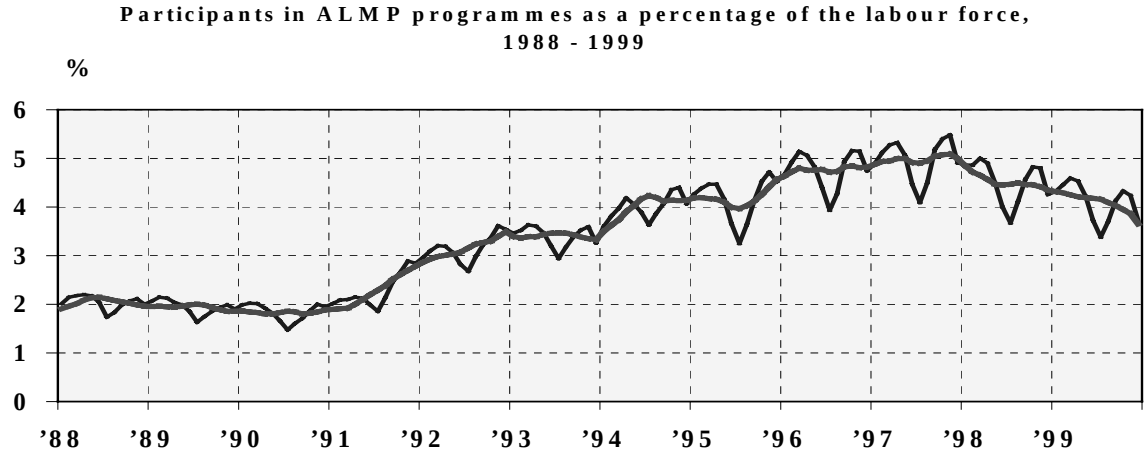
Source: Ministry of Labour statistics.

market consequences of the policy were rather unclear. As the volume of participants reached record levels, there was not much room left for careful targeting of the programmes, selectivity, good planning or effectiveness. Also, regular job broking was probably displaced by the overly high volume of subsidies: although many unemployed continued to find work through their own efforts, less than one-fifth of PES placements in some years were into unsubsidised work (Figure 6). This distorted

what can be considered the primary function of the PES: matching the job-seekers and vacancies (see OECD, 1996, p. 61). Regression estimates have found no statistically significant influence on the volume of job vacancies from the volume of employment subsidies. The volume of labour market training (LMT) has a positive regression coefficient (which is statistically significant) with the volume of vacancies, which reflects the fact that both have increased when the open labour market improves. At the macro level, displacement between subsidies and job broking cannot be proved statistically, but it probably has important effects at the local level.

Figure 7. **Average stock of participants in labour market programmes in 1988-99**

Unadjusted and seasonally adjusted monthly figures, percentages of the labour force



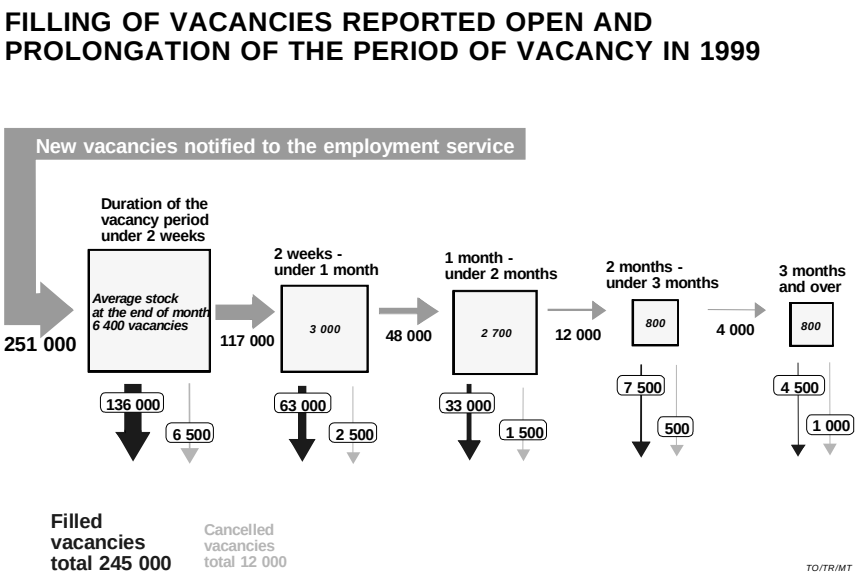
Source: Ministry of Labour statistics.

The modern *concept of a job vacancy* must also be discussed in more detail. The use of various recruitment channels and their efficiency in filling vacancies has changed. For example, large technology companies may use continuous recruitment without any or with only a few specified job vacancies. The use of the Internet in direct contacts between the job-seeker and the employer has gained in importance (Confederation of Finnish Industry and Employers, 2000; Tuomaala, 2000). Many recruitments take place with some training provided, *e.g.* jointly by the employer and the labour administration, but there do not necessarily exist any notified vacancies. Also, some employers publish newspaper vacancy advertisements which may be more of an advertisement for keeping up the good image of the company, but probably no one is actually recruited. A recruiting employer may also ask for the possibilities of receiving employment subsidies while looking for employees, which indicates that even when hiring takes place with a subsidy the job-broking mechanism of the PES may also be involved. This development makes active job broking a more demanding process. However, the majority of job vacancies notified to the PES continue to be traditional vacancies.

Recent thinking about labour market policies has put much emphasis on flows in the labour market and the duration of various programmes. Thinking in stock terms only was much more common and it was at first problematic to launch new ways of thinking, where the dynamics of the labour market are seen as important (for stock-flow models of unemployment and job vacancies, see Figures 8 and 9). This was favoured by the EU employment policy guidelines where the preventive

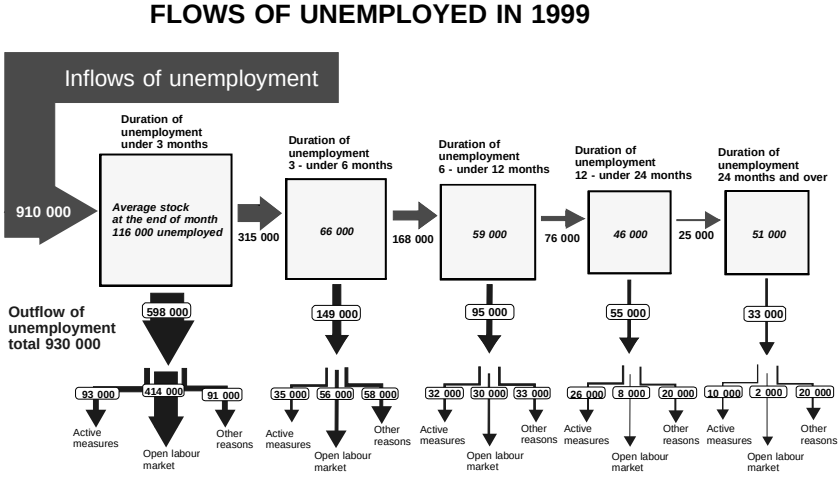
approach, *i.e.* working with unemployment flows having a certain duration, is considered a highly important feature (European Commission, 1999).

Figure 8. **Stock-flow model of vacancies in 1999**



Source: Calculation based on Ministry of Labour statistics.

Figure 9. **Stock-flow model of unemployment periods in 1999**



Source: Calculation based on Ministry of Labour statistics.

4. Experiences with labour market policy measures

Side effects

The subsidy period has usually been of six-month duration (although the job itself could last longer, particularly in the case of private sector hires) and at its maximum in 1996 there was an average stock of about 75 000 persons (about 3.0% of the labour force) in subsidised employment programmes (of which about 42 000 or 1.7% in the public sector). The annual inflow into these programmes therefore equalled about 150 000 persons or 6.0% of the labour force. Continuous recruitment and additional churning of the staff led to increases in costs and reductions in public sector efficiency. This still did not guarantee the hiring of the most disadvantaged groups of unemployed, because public bodies select the employees who best suit their requirements within the target group definitions.

All public labour market policy measures have side effects as well. One important unintended side effect in Finland besides the usual *dead-weight*, *displacement* and *substitution* effects (OECD, 1991, pp. 94-95) has been the *addiction to subsidies* or the *drug* effect (Auer and Kruppe, 1996, p. 6). Both unemployed job-seekers and employers have experienced addiction to subsidies. In the recession years, recruitment through the public employment service seldom took place without subsidies. However, soon after the recovery started, employers became eager to emphasise qualifications and skills and were no longer interested in the subsidies to any great extent. The question was whether the employer could find skilled personnel and the subsidy was a rather irrelevant factor. However, with the most disadvantaged groups of the unemployed, subsidies continues to play an important role.

In the LMT programmes, dead-weight losses were quite large as many unemployed persons with only a limited unemployment duration and pretty good chances for rapid job-finding were participating in these programmes. Also the role of extensive preparatory (general) training was rather unclear in relation to the increased skill demands.

It is also important to consider the optimal targeting of the programmes in terms of helping the participants to cross the job threshold. If the target group is too difficult to employ, there probably is no effectiveness and the measure does not help at all. The targeting strategy cannot be based on avoiding side effects only.

Also, we can say there have not been rigid demands in relation to the additionality of the employment measures or displacement of other employees, *i.e.* no strict regulations on the tasks that the hired unemployed persons can perform in the public sector.

Estimates for dead-weight losses (dead-weight meaning here that the participant would have probably found an open labour market job during the same period even without the measure) in LMT and subsidised employment programmes have been developed using statistical probabilities for unemployment of different durations continuing for at least three months. These hazard rates have been calculated for all unemployment spells that terminate during a given year. After this, the figure for the probability of the termination of unemployment through entry to open labour market work is calculated using the breakdown of all terminated unemployment periods and reasons in the various duration categories. The reasons “found work via the employment service”, “end of temporary redundancy or reduced working week” or “found work otherwise” are summed up as the open labour market share of all terminated periods (terminated periods where the reason for termination is not known are not counted in the estimation procedure). For each unemployment duration category, multiplying the probability of unemployment terminating by the open labour market share in

terminating periods produces an estimate of percentage estimate of dead-weight for persons entering ALMPs within the unemployment duration category concerned. This method does not take other selection criteria into account. True dead-weight may be lower than the estimates, because local employment offices select people who would be unlikely to find work without support measures. However it is difficult to estimate the magnitude of this potential bias.

Estimates of dead-weight have varied from 12 to 29% for subsidised employment measures and from 16 to 26% for LMT measures in 1993-98, not taking any selectivity criteria other than unemployment duration at time of entry into account (Table 1). There has been a heavy rise in the dead-weight estimate for employment measures, whereas the estimate for LMT has not risen so much. Some statistical reservations must be made with this method, but at least it gives a good indication of the development (Räisänen and Skog, 1998, pp. 31-35, see also Räisänen, 1996). It is important to consider possible dead-weight effects, even without knowing the gross or net effects of a measure, as an aid to targeting measures where they can achieve an impact which would not otherwise have been achieved. Given that there are constraints on availability of initial statistics, and given that job-finding on the open labour market is negatively dependent on unemployment duration, the three-month hazard rates give the best picture of what would have probably happened during the programme. But as the average duration of participation has been about four months in recent years for training measures, and six months for employment measures, the three-month basis of calculation probably underestimates the dead-weight effect of employment measures relative to training measures.

Table 1. **Estimates of dead-weight for unemployed entrants into labour market training and subsidised employment measures, 1993-98**

Percentage of all unemployed entrants

Year	Labour market training	Subsidised employment
1993	16	12
1994	20	14
1995	20	17
1996	21	21
1997	24	25
1998	26	29

*Note: S*ee annex for details of the estimation procedure.

The estimates demonstrate that both major labour market programmes should have been targeted more on long-term unemployment, *e.g.* in 1998, about 46 unemployed persons out of 100 starting a measure in the unemployment duration category, zero to three months would have probably found an open labour market job within three months, but on the other hand in the unemployment duration category for over nine months, the loss would have probably been only seven participants out of 100.

One of the most difficult phenomena of the former labour policy system was the *carousel effect* which was supported by the benefit entitlement conditions: one could regain entitlement to earnings-related unemployment benefits by participating in subsidised employment programmes. The

law used to require a six-month job to requalify for benefits, which happened to be the average duration of these programmes. Benefits then recommenced at a level related to earnings in the original market job, not the wage in the six-month job. This former system created an incentive to stay unemployed. Repeated participation in labour market policy measures has been rather common: in 1995, *e.g. about 4.5% of the labour force or about 120 000 persons formed a group who had mainly a labour market career of alternating between unemployment and subsidised jobs in 1992-95* (Aho *et al.*, 1999). This former system made earnings-related unemployment benefits effectively indefinite in some cases.

The system has been changed in 1997 so that the average duration of subsidised jobs (or the subsidy duration) has remained at six-month-levels but the law now requires ten months of work to requalify for unemployment insurance benefits. Also, the level of the benefits is counted on the basis of earnings over a ten-month period. These changes had an important role in creating real incentives to find even temporary jobs and stay at work.

In 1997-98, it was temporarily made possible to count participation in LMT (up to a maximum of 16 weeks) towards the ten-month period for requalifying for insurance benefits. This temporary legislative change was not found to cause any major misbehaviour in relation to applications for LMT. Also, unemployment insurance days are not counted while participating in training, so it is possible to push back the date of exhaustion of insurance benefits by participating. This system has not had any effect on individual-level benefit duration either, as the participants have a good motivation to improve their skills and find jobs with the help of training measures. The most common individual motives for participation in LMT measures are qualification building and better job chances (Mikkonen, 1995).

The system of delivery for LMT was reformed in 1990 with the introduction of market-based procedures for purchasing training. The regional labour authorities ask for tenders and they are not tied to any educational institutes or to their supply. All relevant institutes and even private consultants can submit tenders. However, in some regions there is not a large variety of training suppliers, *e.g.* in industrial fields, and the largest market share is held by the municipal-sector-owned training centres representing well over 50% of all purchases. Various forms of LMT can be purchased within the same system and budget allocations, *e.g.* preparatory training for youngsters, training in the Finnish language for immigrants and refugees, true vocational training, entrepreneurial training or joint training purchases with employers who recruit new personnel. The opening of the training market has had positive effects on unit costs and increased competition between suppliers. Also, the labour market value of various training programmes has been improved.

Effectiveness of measures

The effectiveness of labour market policy measures has been studied thoroughly in Finland during the last decade. Outcome of various evaluation studies gives quite a coherent picture of what works and what does not. According to Aho *et al.* (1996, 1999), Hamalainen (1999), Mikkonen (1995) and Räisänen (1996), it could be concluded that employment subsidies in the private sector and vocational labour market training are quite effective measures, in terms of improving job prospects.

Some evaluations have also pointed out that the combination of regional mobility with ALMPs, especially LMT, is especially effective in improving later employment probability. Regional mobility alone increases employment probability in the next year by approximately 10 percentage points for unemployed persons, participation in LMT by 17 percentage points and LMT jointly with regional mobility by 29 percentage points. Subsidised employment has improved job prospects in the next year by about 14 percentage points, but regional mobility does not have any effect jointly with

this measure (Economic Council, 1998, p. 36). The single most effective measure is start-up grants, but selectivity in relation to entrepreneurial skills cannot be controlled properly by statistical means (Aho *et al*., 1999).

The effect of non-vocational LMT is generally quite weak, but regarding the long-term unemployed it was positive. The effectiveness of practical training (mainly targeted for youth) has not been evaluated carefully, but monitoring outcomes indicate that these measures have pretty good effectiveness. Subsidised employment programmes in the public sector and non-vocational LMT (language courses, preparatory training, computer skills) have generally poor or negative effectiveness in relation to respective unemployed non-participants' later labour market career. The effectiveness of various measures should also be assessed from a broader perspective, *e.g.* it is practically impossible to find a job in Finland without Finnish or Swedish skills, and computer skills are also usually demanded. The effectiveness of these training courses as an individual measure seems poor and yet they are necessary for the target groups (Aho *et al.*, 1999).

5. Labour market policy reform of 1998

Motivation for the reform

Finland has experienced many phases with labour market policy measures. The problem has been that there were plenty of separate measures, but not a coherent overall policy where both passive income support and active measures could work to help the unemployed to find jobs. The extensive subsidy system developed a culture of re-entering into unemployment benefits after participating in active labour market measures. It was seen that the system remained in a recession position, even if economic developments were good enough to produce more and more new jobs for the unemployed. Labour market policy appeared to not correspond to the demands of the labour market and give a wrong signal to the unemployed, employers and the employment offices.

The situation was solved by a comprehensive labour market policy reform which was prepared between December 1996 and May 1997, entered into force at the beginning of 1998 and reached full coverage in January 2000. The *motive for the reform* was the weakened functioning of the labour market, increased addiction to subsidies (by both employers and job-seekers) and partly the diminished effectiveness of the labour policy measures. The matching of the various elements of the labour policy system was also weak. The rights and obligations of the unemployed jobseekers had never been defined in Finland before. The cycle of separate small legislative reforms carried out during the recession years was also hard: *in 1992-96 approximately 1.8 legislative amendments* (laws and statutory regulations) were made in the labour policy system *per month*. As a consequence, the system had become difficult to understand even for an expert. The reform aimed on one hand at creating a better-functioning and more easily understandable aggregate system, on the other hand at improving the labour market dynamics.

The equation:

monthly inflow x average duration in months = average stock

shows that there is a range of possibilities for planning labour market policies even within a tight budget constraint to meet the conditions of the market.

Figure 10 demonstrates the various policy alternatives as budget constraint lines defined by the equation above. Three budget constraints are drawn assuming that fiscal constraints permit a stock

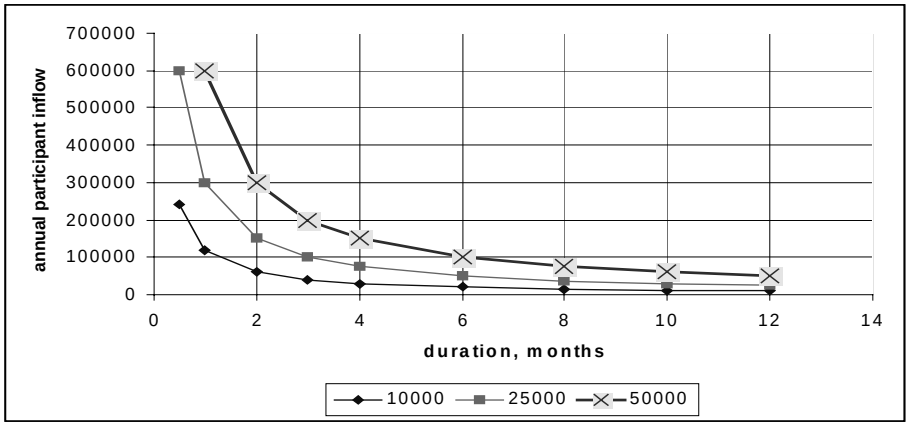
(average number of persons participating) of 10 000, 25 000 or 50 000. Depending on the labour market policy strategy we choose, and administrative capacity and labour market circumstances, we could theoretically choose any point on the curve that we can afford in fiscal terms. The average duration of employment measures has been approximately six months for employment measures and somewhere over four months for LMT. If we want to activate a large number of job-seekers, we probably can afford measures only with very limited duration. For example, it is possible to organise job-search training for a large number of participants. If there is demand for highly-skilled labour in the market and the skill gap is large, it probably takes more time to reach the relevant qualifications. In Figure 10 it is easily seen that flows through the labour market measure decrease rapidly as duration exceeds four to six months. It is possible to select between supply, dynamic and efficiency strategies:

- The supply strategy means that a large number of unemployed are kept within the measure. This needs a large stock. If open labour market flows are low and job-seekers are hard to place, this strategy is applicable. No especially developed employment services are needed. Large stock is a strategy applied in Finland between 1991-97.

- The dynamic strategy means emphasis on the flows of the labour market and increasing turnover of the stock of the unemployed. There are two alternatives for applying this strategy: a remarkably large stock or short duration of measures. It is usually not possible to apply stock increases for a long time. Highly developed employment services are needed to apply this line. This policy alternative was markedly strengthened in Finland when the 1998 labour market policy reform entered into force.

- The efficiency strategy tries to optimise the duration of participation in the measures and emphasises efficiency, and not only maximise their total impact. There are possibilities, *e.g.* to limit the duration or the stock (fiscal point of view) or both.

Figure 10. **The effect of the duration of participation on participant inflow, for various levels of stock**



Source: Calculation based on Ministry of Labour monthly statistics.

The labour policy reform taken since 1998 is based on *two main lines:*

- Better functioning of the labour market.
- Prevention of exclusion from the labour market.

The first line is realised by the reforms of employment services and active measures, and the second one by targeting the services and active measures and also by some totally new measures.

The main reform measures

The *main reform measures* can be grouped into five categories:

- Improvement of the employment service process.
- Activation of the passive labour market support for the purpose of employment.
- Reforms of active labour market policy measures.
- Measures helping recruitment.
- Definition of the rights and obligations of the unemployed job-seekers.

Individual employment services for job-seekers

The aim of these reforms is to shorten the duration of the unemployment periods, to increase labour market dynamics and to target the job-seekers' own activities and services for job-seekers on job search in the open labour market.

There were a total of 922 000 job-seeker clients at the public employment service in 1998. The PES has 15 regional Employment and Economic Development Centres throughout the country. These manage 178 local employment offices with a staff of 2 400 working directly in customer service duties. The average stock of unemployed job-seekers per employment officer in customer service was 160. These figures demonstrate *that the service process has to be well planned and the service products well-functioning*. Local employment offices have broad legal powers of their own in relation to organising their services and budget, within the framework of the management-by-results system.

The reforms created the same elements of the service process for all the employment offices, which are implemented according to local conditions. Regular fixed-term interviews, job-search plans, skill-mapping, job-search manuals and job-search training were brought into use. The aim of the reform was to increase the job-search activity of unemployed job-seekers and to target the job-seeker's activity effectively towards re-employment in the open labour market.

The fixed-term interview is a one hour service where the client's situation and aims are covered while a job-search plan is drawn up. Use of active measures in improving the person's employability is considered in the interview. Part of the *job-search plan* is charting the real skills of the job-seeker, not only formal educational qualifications. In order to work out these *skill-mappings*, some forms have been created in Cupertino with the social partners so as to better describe the skills. The information is saved in the computerised information system. The job-search plan is written on the employment officer's computer, printed and both the job-seeker and the employment office officer sign the plan. The job-search plan corresponds to the individual action plan defined in the indicators of the EU employment guidelines (see also European Commission, 1999).

The job-seeker can use a *job-search manual* to support his own job-search. It consists of brochures of the job-seeker's employment office and of a job-search notebook where the job-seeker can make notes on job-search activities, what happened, how active the job-search is and how it proceeds. *Job-search training* is given either on a job-club basis (job-seekers` group) organised by the employment officers themselves, or as a part of labour market training courses. The aim is to increase knowledge of the labour market, job vacancies and job-search methods, and to practice writing applications and contacting employers. One element in reforming the employment service process was

recruiting 160 high-level specialists into the employment offices of the main cities and towns. About two thirds have university-level diplomas.

In 1998, 170 000 fixed-term interviews were carried out and in 1999 the respective figure was 243 000. These interviews have reached quite high coverage in terms of the proportion of unemployed job-seekers who have participated. In 1998, 93 000 persons started job-search training and in 1999, 114 000 persons. The duration of this training is usually from five to ten days, permitting a relatively high coverage. Customer feed-back is especially positive with this measure (Ministry of Labour monthly statistics).

Activation of passive labour market support into job creation

The aim of these reforms is to prevent exclusion, to allow re-entry into work for some of the most difficult-to-employ and to create new demand for labour within this target group.

Hard-core structural unemployment developed in Finland during the recession. The maximum duration of the earnings-related unemployment insurance benefit is 500 days (paid five days per week, *i.e.* for about two years). Besides this, a flat-rate unemployment benefit, labour market support, exists. It is payable to those unemployed persons who do not meet the initial time-at-work qualifying condition of six months in the insurance system, or who have received insurance benefits for the maximum of 500 days. At the moment more than half of all unemployed receive labour market support. It is payable also when a labour market support recipient enters labour market training or practical training.[3] During these active measures a person is not counted as unemployed.

While preparing the reform, it became evident that the most difficult structural unemployment was not alleviated by active measures. Only rarely were long-term unemployed persons receiving labour market support offered any active measures or employment services. To prevent exclusion, *a combined subsidy* was created. When an employer hires a person who has received unemployment benefit for over 500 days, the employer can receive the unemployed person's labour market support and besides this, an employment subsidy. This means activation of the passive unemployment benefit for employment and job-creating purposes. This kind of subsidised employment is payable in the private sector (organisations, households and companies) and in the municipal sector. It is especially aimed at creating new job opportunities in the non-profit sector of the economy (the so called third sector or social economy), *e.g.* sports clubs, organisations within the field of social and health work or providing afternoon activities for school-children are eagerly using this subsidy. Placements in for-profit activities are also possible on condition that the contract is permanent, but they are relatively infrequent. The maximum subsidy duration is 12 months.

The fiscal costs of persons having received benefit for over 500 days are extremely high without activation measures. Arguments for the high subsidy level are the very low job prospects and high expected duration of further unemployment, when unemployment has already lasted at least for two years. Also, as the voluntary organisations have limited resources to use paid employees, the combined subsidy is often used in part-time work. For the employer, working time is the flexible element. The maximum subsidy amount could cover all direct wage costs, but not the indirect ones. By reducing the weekly hours it could cover even more. The wage rate is a matter between the employer and the employee, but for full-time work in Finland the lowest wage rate is about FIM 5 000 a month, which corresponds to the maximum level of the combined subsidy, but the costs for the employer reach about FIM 9 000. The combined subsidy contributes to the requalifying time-at-work condition of the unemployment insurance system for only one third of the duration of the placement the maximum being 16 weeks. This is an application of the principle that it is not possible to increase

rights to social security by receiving social security. Also the volume of *practical training* for this target group was increased.

Because of the difficult target group and problems in reaching potential employers in the voluntary sector of the economy, the volume of combined subsidy placements has been increasing quite slowly. The average stock was 2 700 in 1998 and rose to 9 800 in 1999. In 1999, about one out of five placements with this measure took place in the municipal sector and the rest in the private sector, especially voluntary organisations (Ministry of Labour monthly statistics). The experience so far is that this target group is very hard-to-place even with a high level of subsidies and also many of the voluntary organisations have only limited if any experience acting as employers. On the other hand it seems that the high level of the combined subsidy does not cause any major market disfunctioning as it is mainly targeted on the voluntary organisations and employees who would practically have no chances of finding a job without it. Also, even with this difficult target group normal work conditions are applied (except for the requalifying time-at-work condition for renewal of insurance benefit entitlements).

Reform of active programmes

The aim of these reforms is to target the active programmes on re-employment in the open labour market and to improve the qualifications of the job-seekers and by these means to decrease addiction to subsidies.

The volume of *labour market training and subsidised employment* has been cut. In the labour market training system, the share of vocational training was increased and the share of preparatory training decreased. At the same time, almost all labour market training began to include job-search elements, usually lasting for five to ten days. As the employment services were improved and active job-search increased, the volume of labour market programmes was cut from 123 000 (approximately 5% of the labour force) to 102 000 persons in 1999 following the unemployment rate developments. This decrease represents 0.8% of the total labour force. Further cuts to bring the ALMP volume down to about 4% of the labour force in 2000 have been implemented, especially targeting cuts in the public sector subsidised employment. The lower volume puts the quality and effectiveness of these programmes into focus and the cuts have been distributed on the basis of evaluation results concerning the effectiveness of these measures. Also the fiscal burden has been one important reason for cutting the state direct job-creation volume rapidly.

Measures helping recruitment

The aim of these reforms is to help recruitment targeted to the unemployed. A new measure helping recruitment was introduced for SMEs: on-the-job training in order to improve the quality of subsidised employment. This means that a company receiving an employment subsidy while hiring an unemployed job-seeker is obliged to improve the skills of the person placed into the company and to write a plan describing this procedure. The employment office approves the plan. This reform means more obligations in return for the subsidy from the companies part. Monitoring and analysis of recruitment problems have been developed as a part of the reform. The on-the-job training element is working, but the quality of the plans needs improvement.

The rights and obligations of unemployed job-seekers

The aim of these reforms is to make the labour policy system more understandable and transparent and clarify the relationship between the employment office and unemployed job-seekers.

The expert report preceding the reform (Räisänen and Skog, 1997) had concluded that the employment plans used at that time were not working, having little connection with the rest of the service process and being experienced as a compulsory administrative measure lacking any real purpose. The job-seeker was not even usually aware of the plan which was in practice the authorities' plan for the job-seeker, not the individual's own plan. The main content of plans tended to be referral to employment measures. This experience suggests that it may be difficult to ensure the relevance of individual action plans, unless there is a clear legal basis for imposing additional obligations or granting additional benefits on an individualised basis in connection with the plan. This kind of legally binding obligations were developed in the reform. The job-seeker has a right and an obligation to participate in working out the plan and participate in the services and ALMP measures specified in the plan. The law requires now active participation of the job-seeker (*e.g.* signing the plan jointly with the employment officer), who also receives a copy of the plan which is repeatedly updated or revised as the service process proceeds. In case the job-seeker does not participate in working out the plan or in services specified in the plan, the job-search spell may be terminated which means not just a waiting period (benefit sanction) but exclusion from benefit. The job-search plan is a new procedure in terms of its legal basis and its basic idea. Working out these plans is, according to quality controls by internal auditing, a heavy task for the employment offices. Only a minority of the plans met the legal requirements in 1999 but the situation is expected to improve.

The reform defined the rights and obligations of unemployed job-seekers in detail. The definition was based on separate provisions scattered across a variety of existing laws, and some new rights and obligations which were introduced with the reform. *The rights and obligations were defined taking into account constitutional rights, social security systems, employment services, active labour market programmes and the labour market policy reforms undertaken in 1998.*

As a consequence of the reform, an unemployed job-seeker has a right to a job-search plan and at the same time an obligation to participate in working out his plan. Working out the plan begins at the initial interview during the first month of unemployment. The plan must be drawn up after five months of unemployment at the latest (the previous employment plan was at the six-month stage). Persons having received unemployment benefits for over 500 days have now a right to certain individual services and active measures. These include a totally new job-search plan with legally more binding obligations for the employment office to provide active measures. Besides the generally available measures, the combined subsidy and practical training with extra daily allowance are available for this target group. The reform creates a clearer judicial basis for the relation between the employment office and the unemployed job-seeker. The law defines possible sanctions also in case someone refuses to participate in these new services created. Refusal to participate in active measures offered or refusal to continue under the measure without acceptable grounds can lead to a waiting period in the unemployment benefit system. Thus the employment offices have better means to find out whether the job-seekers are available for the labour market and whether they actively seek for work. This can be tested in practice much more often than before, by offering short-term job-search training and the new services for the job-seekers. However, no sanctions for passive independent job-search behaviour are possible as it is not possible to monitor it in a reliable way. The follow-up and revision of the previous plan occurs during the fixed-term interviews. Finland needs to have benefit receipt conditional upon availability for the labour market and active job-search (which can in practice only be sanctioned only if the person states explicitly that he or she has not been looking for work), because the entitlement conditions for benefit are relatively permissive. The time-at-work qualifying condition is relatively short (six months for entry, ten months for requalification) and *the maximum*

duration is long (500 days) for wage-related benefits with no time limits on receipt of flat-rate labour market support.

Theoretically, the maximum duration for receiving the flat-rate labour market support (created in 1994) could be even 48 years, but in practice this is not possible. A constitutional interpretation made by Parliament is that everyone has, during unemployment, a right to unemployment benefits, which must be more extensive than the existence minimum or minimum security (that being in practice the municipal means-tested subsistence allowance). This constitutional right explains many characteristics of the Finnish labour market legislation and practice. It means that it is not possible to set a time limit on receiving labour market support. It also means that it is not possible to make the payment of benefits conditional on participation in a labour market policy measure, unless there is a legal right to participate in that measure. (It is possible to make benefits conditional on participation at the individual level, in the sense that when someone refuses or abandons a subsidised job or LMT, a benefit waiting period can be imposed. See Räisänen and Skog, 1998, pp. 144-147.) It also means that it is not possible to reduce benefits for unemployed job-seekers to the minimum security level, if they meet the conditions to be considered unemployed, which in practice could mean a rather slight activity. This explains why we in Finland have a relatively marginalised group of job-seekers. They are unemployed more from the benefit system's point of view than from the labour market's point of view.

Labour market support is conditional for young persons entering the labour market. Persons between 18-24 years of age without vocational education cannot receive labour market support if they do not participate in education or ALMP measures. The measures are legally guaranteed for all young people belonging to this group: if an individual applied for education or ALMP measures and for administrative reasons could not enter, he or she would not be denied the benefit. In practice, the authorities are able to provide education or training for all young people. Persons living with their parents receive 60% of the full benefit amount. There is also a five-month waiting period for people entering the labour market for the first time, but not for those participating in active measures. Labour market support is also means-tested after 180 days of receiving the benefit. These regulations, applied since 1996 and 1997, have helped to cut registered youth unemployment in Finland rapidly. It has more than halved from 92 200 in 1994, to 44 300 in 1999. The Labour Force Survey gives quite a different picture: the unemployment rate for 15-24 year-old youngsters was 34.0% in 1994 and was still 21.5% in 1999. However this is because many full-time students indicating willingness to work are treated as "unemployed" in the LFS. Since the labour supply of this group is low, the development of registered unemployment is the real criteria for policy success (Räisänen and Skog, 1998, pp. 75-78; Ministry of Labour statistics; Statistics Finland).

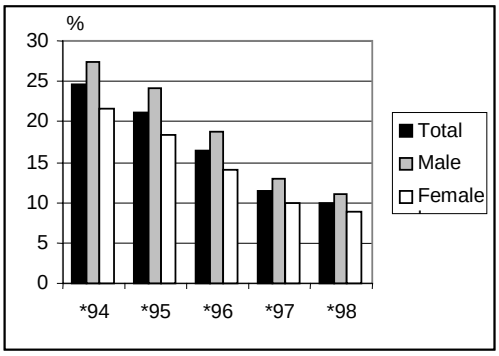
Also, considering the OECD Job Study recommendations for Finland one has to consider, what kind of possibilities exist in the Finnish institutional and policy context for shorter benefit duration, stronger work availability conditions, tighter eligibility conditions, limiting requalification possibilities or longer waiting periods (OECD, 1997, p. 27). Shorter benefit duration is possible only for insurance system benefits without changing the constitution. Yet in practice this is difficult. In 1997, longer waiting periods were defined as the law was revised. Requalification possibilities have been limited by keeping the average subsidised job duration at six months in the public sector, as the time-at-work-condition was tightened from the previous six to ten months. However, most of the effect has been sought for by improving the active policies. Actually, the only country-specific Job Study recommendation concerning ALMP for Finland relates to the interaction of active and passive policies: abolishing requalification via ALMPs has been recommended (OECD, 1997, p. 33). But the action taken was temporarily (in 1997-98) the contrary for LMT, as described above.

Why is this? Would it not be quite easy to abolish requalification for benefits through participation in subsidised employment, which will increase the effectiveness of ALMP? Subsidised

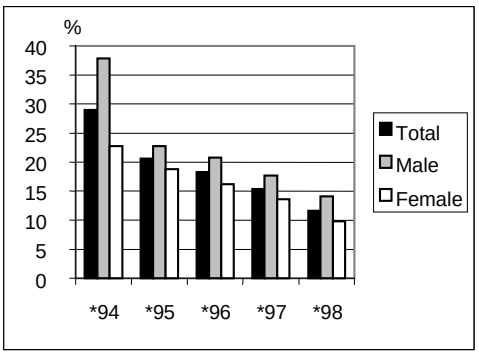
jobs make qualifying contributions for unemployment insurance because of the principle that they should be jobs with normal terms in the labour market where the state pays only the subsidy for the employer, *e.g.* the level of wages is a matter between the employer and the employee but normal conditions (minimum wages are defined in collective agreements) must be met. Also all other social security benefits are the same as in open labour market jobs. In political terms, it has not been found possible to abolish this requalification reached by subsidised jobs in Finland.

Figure 11. **Proportion of new unemployment spells that exceed six months duration for youth and 12 months for adults, 1994-98**

a. Proportion of new youth spells prolonged over six months

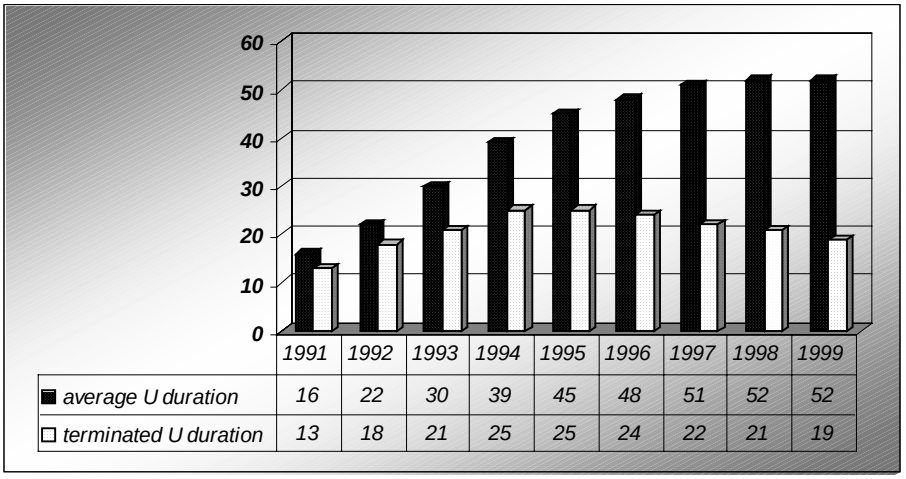


b. Proportion of new adult spells prolonged over 12 months



Source: Based on Ministry of Labour statistics.

Figure 12. **Average duration of the stock of unemployed and of terminated unemployment spells, 1991-98**
Weeks



	1991	1992	1993	1994	1995	1996	1997	1998	1999
average U duration	16	22	30	39	45	48	51	52	52
terminated U duration	13	18	21	25	25	24	22	21	19

Source: Ministry of Labour statistics.

As Figures 11.*a* and 11.*b* demonstrate, the duration of newly started unemployment periods decreased rapidly between 1994 and 1998. Today, we can manage the new inflows, but the problem with "old stock", with a large structural element, remains. This contrast is presented in Figure 12,

where we can see that the average duration of the stock of unemployed has not ceased to rise before 1999, even though the average duration of terminated unemployment spells has been falling.

6. Conclusions

The conclusions listed below are based on Finnish experience and some of them may be irrelevant in different institutional context. However, many of them will merit consideration in developing labour market policy in other countries also.

Functioning of the labour market and employment services

A properly functioning labour market and PES are vital for job broking.

- Attention should be paid to the magnitude of flows and the way they function in the labour market, to limiting the duration of labour market measures in order to ensure that they reach a large number of active job-seekers, and to accurate matching procedures.

- High-quality employer services are vital for increasing the role of PES in the labour market and, therefore, the possibilities of the weak groups.

- The preventive approach, with interviews, the job-search plan and job-search training to sharpen the focus on job search, has greatly contributed to activation of individual job-search, which has helped to shorten the terminated unemployment spells. The UV curve demonstrates that the functioning of the labour market has improved in 1999.

- If the structural element of unemployment is not effectively activated towards the open labour market, structural unemployment may remain largely fixed at high cost, for many years.

- New demand in the labour market for the hard-to-place is possible to create within the so called third sector, such as voluntary organisations. Subsidised work in this sector does not harm competition and the jobs provide a realistic chance for long-term unemployed persons.

Active labour market programmes (ALMPs)

The labour market policy system has relied much more on large public sector employment-creation programmes and private sector employment subsidies in Finland than it has in most other OECD countries.

- ALMPs must be carefully planned, targeted and implemented to reach real effectiveness.

- A large stock of ALMPs may help temporarily in exceptional circumstances to avoid exclusion from the labour market, but a continuous large volume means a risk of large side-effects and a carousel effect.

- Selectivity is a fundamental element of labour market policy and removal of it, as happened with the right-to-work policy in Finland, destroys the effectiveness of labour market programmes.

- All defined time-limits in the labour market policy system are a source of probable "speculation", which may lead to increase in the unemployment duration, *e.g.* a system giving an individual a defined "right" or probability of selection into a measure, may destroy efforts of job-search.

- ALMPs should be planned in close contact with the functioning of the labour market and employers' recruitment methods.

- Employment subsidies in the public sector only seldom improve the situation of unemployed job-seekers more than would have happened without the measure. The before-after situation of the individual participants may still improve, but the situation of the matched non-participants usually improves even more.

- Employment subsidies in the private sector are quite effective, but it is important to keep displacement and substitution under control and the volume of subsidies needs to be limited.

- Vocational labour market training seems to be quite effective, especially when it provides specific qualifications demanded in the labour market and when dead-weight is kept under control by targeting on the longer-term unemployed.

- Labour market training has helped to avoid and remove some bottlenecks in the labour market.

Future considerations

Since 1999, the government has made progress towards its aim of increasing the employment rate in Finland to 70% of the working-age population. However, labour bottlenecks have increased in magnitude in 1999. This may reflect the structural unemployment, which although it has gone down quite rapidly still remains on a high level. The skill gap between the demand side and the actual qualifications of the job-seekers has increased, even if Finnish unemployed people are probably among the best-educated in OECD countries. The role of job broking is changing rapidly, with more direct contact between job-seekers and employers, and the use of Internet and electronic job-broking services by both employers and job-seekers. This development is a new challenge for the active job-broking function of the PES.

There are still over 400 000 people who are either unemployed job-seekers or participants in labour market measures. Taking the relatively large structural element of unemployment into consideration, there is still a large reserve of at least 5% of the labour force available to start work at fairly short notice. Part of the problem is that these people are sometimes not in the same regions as the jobs. All in all, we believe in Finland that unemployment and the structural element of it may still decrease, and that there is still space for stable growth.

ANNEX

CALCULATION OF DEAD-WEIGHT EFFECTS FOR LABOUR MARKET TRAINING AND SUBSIDISED EMPLOYMENT

Table A1. **Probability of unemployment continuing for at least 3 months, for unemployment of varying duration categories**

	…for unemployment just started	…for at least 13 weeks	…for at least 27 weeks	…for at least 40 weeks
1991	0.466	0.505	0.664	0.542
1992	0.580	0.646	0.740	0.638
1993	0.576	0.734	0.748	0.759
1994	0.524	0.703	0.736	0.740
1995	0.496	0.660	0.709	0.747
1996	0.459	0.612	0.680	0.737
1997	0.410	0.583	0.671	0.722
1998	0.378	0.540	0.676	0.684
1999	0.377	0.560	0.655	0.696

Source: Calculations based on Ministry of Labour statistics.

Table A2. **Example of calculation of dead-weight effects for labour market training and subsidised employment in 1998**

	1998 unemployment duration category						
	0-3 months	3-6 months	6-9 months	9+ months	TOTAL		
Employment service	36 095	9 864	4 334	4 221	54 514		
End of temporary redundancy	1 972	235	33	33	2 273		
Found job independently	354 710	46 974	17 863	19 002	438 549		
Open LM, total	392 777	57 073	22 230	23 256	495 336		
All terminated U periods	574 883	152 346	65 955	138 028	931 212		
Reason for termination unknown	38 730	38 711	13 992	25 771	117 204		
All reasons known	536 153	113 635	51 963	112 257	814 008		
Open LM share	73.3	50.2	42.8	20.7	60.9		
Probability for U continuing	0.378	0.54	0.676	0.684			
Probability for U terminating	0.622	0.46	0.324	0.316			
Dead weight (%)	45.6	23.1	13.9	6.5			
Subsidised placements	68 069	19 601	10 775	35 362	133 807		
LMT started	32 372	18 234	9 462	22 512	82 580		
							DW (%)
Dead weight estimate for placements	31 017	4 529	1 494	2 315	39 354		**29**
Dead weight estimate for LMT	14 751	4 213	1 312	1 474	21 749		**26**

NOTES

1. I wish to thank my colleagues Harri Skog, Ilkka Nio and Mika Tuomaala for valuable comments.

2. "Speculation", in the Finnish discussion of labour market policy, refers to actions by employers to benefit financially from labour market programmes (for example when municipalities calculate the savings from hiring unemployed workers with a subsidy, and savings in municipal benefits paid to the unemployed), or anticipatory behaviour by the unemployed, which undermines the desired labour market impact of the programmes.

3. When a person receiving wage-related unemployment benefit enters labour market training, he or she receives this benefit plus some expenses.

BIBLIOGRAPHY

AHO, S., J. HALME and J. NATTI (1999), *Targeting and Effectiveness of Labour Market Training and Subsidized Employment in 1990-1996,* Studies in Labour Policy No. 209 (in Finnish), Ministry of Labour, Helsinki.

AHO, S., J. NATTI and A. SUIKKANEN (1996), *The Effectiveness of Labour Market Training and Subsidized Employment in 1988-1992*, Studies in Labour Policy No. 144 (in Finnish), Ministry of Labour, Helsinki.

AUER, P. and T. KRUPPE (1996), *Monitoring of Labour Market Policy in the EU Member States*, WZB, Berlin.

CONFEDERATION OF FINNISH INDUSTRY AND EMPLOYERS (2000), *Labour Force Survey 1999* (in Finnish).

ECONOMIC COUNCIL (1998), *Economic Council Report: Labour Market Challenges and Improving Functioning of Labour Market*, Prime Minister's Office, Publication series 1993/3, Helsinki.

EUROPEAN COMMISSION (1999), *Proposal for a Council Decision on Guidelines for Member States' Employment Policies for the Year 2000*, COM (1999) 712 Final 1999/0277 (CNS).

FINNISH MINISTRY OF LABOUR, *Monthly and Annual Statistics*, various years.

HAMALAINEN, K. (1999), *Active Labour Market Policy and Employment in Non-Subsidised Labour Markets* (in Finnish), The Research Institute of the Finnish Economy, Vantaa.

KALELA, J. (1989), *Unemployment in the Finnish Policy in the 20th Century* (in Finnish), Ministry of Labour, Helsinki.

MIKKONEN I. (1995), **"**Labour Market Training: Underlying Motives for Participation", in Juuti, Mikkonen and Räisänen (eds.), *Three Essays on Labour Market Training*, Labour Policy Studies No. 108, Ministry of Labour, Helsinki.

MYRSKYLA, P. (1999), "Regional Development in Jobs and Employment Rate" (in Finnish), in Finnish *Labour Review* No.3-4/1999, Ministry of Labour, Helsinki.

OECD (1991), *Evaluating Labour Market and Social Programmes: the State of a Complex Art*, Paris.

OECD (1996), *The Public Employment Service: Denmark, Finland, Italy*, Paris.

OECD (1997), *Implementing the OECD Jobs Strategy: Lessons from Member Countries' Experience*, Paris.

OECD (1998), *Economic Outlook. Finland*, Paris.

OECD (1999), *Employment Outlook*, June, Paris.

RÄISÄNEN, H. (1996), *Economy and Effectiveness of Labour Market Training* (in Finnish), Studies in Labour Policy No. 135, Ministry of Labour, Helsinki.

RÄISÄNEN, H. and H. SKOG, (1998), *Towards a Better Functioning Labour Market: Senior Government Advisors' Report for the Reform of the Labour Market Policy System*, Ministry of Labour, Helsinki.

SKOG, H. (1994), *Developing Employment Subsidies: Senior Government Advisors' Report* (in Finnish), Publication of the Labour Administration No. 66, Ministry of Labour, Helsinki.

SKOG, H. (1996), "Abolishing Employment Obligations" (in Finnish), unpublished memorandum 29.3.1996, Ministry of Labour.

STATISTICS FINLAND (1999), *Labour Force Survey*, monthly figures.

TUOMAALA, M. (2000), "Outcome of the Employer Survey in 1999" (in Finnish), manuscript (publication forthcoming) Ministry of Labour.

PART IV

STRUCTURE OF THE PUBLIC EMPLOYMENT SERVICE

INTRODUCTION OF CONTESTABILITY IN THE DELIVERY OF EMPLOYMENT SERVICES IN AUSTRALIA

Leslie Riggs
Department of Employment, Workplace Relations and Small Business (DEWRSB)

1. Executive summary

The establishment of a competitive and contestable employment services market (known as Job Network) was an unprecedented and radical change in the delivery of labour market services in Australia. Job Network replaced Australia's former public employment services provider, the Commonwealth Employment Service (CES), case management services and most labour market programmes. With the introduction of Job Network services on 1 May 1998, the Australian Government moved from providing to purchasing employment services.

The major goal of the employment services reforms was to help put unemployed people, especially long term unemployed people, into sustainable employment by providing services that were flexible and tailored to individual need. The Australian Government also wanted to achieve better value for money for employment services by rewarding organisations for putting people into jobs rather than paying for process. The reform process also sought to better align provision of income support with referral to employment services. To achieve this, the Commonwealth Services Delivery Agency, now known as Centrelink, combines the income support facilities of the Department of Family and Community Services (formerly the Department of Social Security) with some functions of the former CES. Through Centrelink, the Australian Government provides a uniform national service for registering jobseekers; administering unemployment benefits; assessing jobseekers' eligibility for Job Network services; and referring jobseekers to appropriate interventions.

The transition to the new arrangements under Job Network was a significant cultural change and, as anticipated, it took some time for jobseekers and employers to adjust to the new arrangements. A large scale communications campaign about the reforms helped in this transition.

The scale of the reforms to employment services required the Australian Government to be responsive to issues raised during the early operation of Job Network. During the first year some adjustments were made to Job Network arrangements to ensure its optimum performance.

Centrelink and organisations contracted to provide Job Network services also had to adjust to the new operating environment. In the first months of operation, Centrelink faced and overcame challenges in moving from a background of only providing income support and ensuring compliance obligations were met to also carrying out jobseeker assessments and referrals. Some Job Network members adjusted to the new flexible arrangements and a contestable framework more readily than others. While organisations were used to helping unemployed people, some were not used to being paid on the basis of getting people into jobs. It therefore took time for some providers to build internal

efficiencies and business practices to concentrate on job placement rather than other activities that did not necessarily deliver outcomes.

The Department of Employment, Workplace Relations and Small Business (DEWRSB) is responsible for the purchasing (tendering) of Job Network services and contract management. The first tender to select organisations to provide employment services under Job Network was conducted in mid 1997. The first contract period ran from 1 May 1998 until 27 February 2000. With the benefit of experience from the first contract period, the Australian Government made several key policy changes for the second Job Network tender. These included:

- The extension of price-competitive tendering to all Job Network services.
- Arrangements to improve the coverage of Job Network services in regional Australia.
- Allowing certain Job Network members (specialist providers) to exclusively serve a particular group of clients.
- Increased accountability of Job Network members for services provided to jobseekers.

The second Job Network tender was undertaken in mid 1999 to select organisations to deliver services for the three years from 28 February 2000. In keeping with the first tender, the second tender rewarded good performance and only the best providers were chosen to become Job Network members. Job Network is a competitive system where good providers can be edged out by better ones. As a result, in the second Job Network many private and community sector organisations have increased levels of business because of their proven track record in assisting disadvantaged jobseekers.

Job Network has proved to be more successful than the former CES in achieving employment outcomes for jobseekers and employers. Although it is too early to draw definite conclusions on the effectiveness and efficiency of the arrangements, particularly given Australia's improving labour market, early results are very promising. The Australian Government expects further improvements in the performance of Job Network as it settles into the second contract period.

These improvements will be further enhanced by the government's increasing emphasis on, and the community's support of, 'mutual obligation'. The principle of mutual obligation is that unemployed jobseekers, supported financially by the community, should actively seek work, constantly strive to improve their competitiveness in the labour market and give something back to the community that supports them. By participating in some Job Network services jobseekers are able to fulfil, or partially fulfil, their mutual obligation.

2. Background to the reforms

The reforms to Australia's employment services can be seen as part of a series of changes to strengthen the role of the public sector as a purchaser of services rather than a direct service provider. For employment services, this evolution was first seen in the greater emphasis placed on competitive tendering for labour market programmes in the early 1990s with the CES purchasing some labour market services (principally training and job clubs) from the government, private and community sectors.

A further step in this direction occurred in 1994 with the establishment of limited competition between the CES' case management arm – Employment Assistance Australia (EAA) and contracted case managers from the community and private sectors. Full and contestable competition

was not possible under these arrangements primarily due to: the independent supervising authority not having regulatory powers over EAA; a restriction on the proportion of clients to be assisted by the contracted case managers sector; and the continued funding of EAA under appropriation rather than on an outcomes basis.

After the election of the Coalition Government (Liberal/National Party) to office in March 1996, the new government sought to deliver on its commitment to improving the effectiveness of labour market assistance. The government considered that Australia's experience with the performance of active labour market programme assistance had been disappointing and that few of Australia's labour market programmes seemed to make any significant or lasting difference in getting unemployed people into regular work. These views were supported by the findings of the evaluation of the previous labour market programme arrangements (DEETYA, 1996) which reported that Australia had developed labour market arrangements which:

- Had resulted in a myriad of programmes with limited flexibility and narrow focus.
- Were complex and process-driven (focussing on programme targets and rules rather than outcomes or individual circumstances).
- Were expensive, with some interventions costing over AUD 10 000 per programme place and overall costing AUD 2.5 billion a year (with around AUD 2.2 billion of this being programme funding).

Within tight budgetary constraints, the new government sought to ensure that future labour market assistance arrangements would be tailored to meet individual needs rather than being programme-driven and have a clear focus on employment outcomes. In August 1996, the government announced its intention to reform employment assistance in Australia by establishing a fully competitive employment services market (Vanstone, 1996).

In developing its proposals for reform, the government was guided by three key objectives:

- To deliver a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes.
- To address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance.
- To achieve better value for money.

Several principles underpinned this reform process:

- Assistance would be flexible and fit the needs and capacities of individual jobseekers.
- The incentives framework would reward labour market assistance providers primarily for placing jobseekers in jobs.
- There would be additional incentives for placing unemployed people who were most disadvantaged.
- A competitive market for employment services would be established in which the purchaser would be separated from providers.

- Continuation of income support for eligible unemployed people would be linked closely with their participation in active employment assistance measures.

- Jobseekers and unemployed people would be able to receive high-quality, streamlined service from the agencies and providers with which they interacted.

In the government's view, compared to other policy options such as simply cutting back poor-performing programmes these radical reforms would in the long run increase the choices available to jobseekers, raise the quality of services, and lead to more lasting employment outcomes.

3. Transition to Job Network

The government embarked on a comprehensive strategy to prepare for the introduction of Job Network. The scope of the change to employment services that had been in place for 50 years cannot be over emphasised. Most employment programmes and case management arrangements ceased and their funding pooled to finance Job Network. The principal elements of the transition included:

- The wind up of the CES while conducting a large tender process for Job Network and maintaining services to unemployed people.

- The establishment of Centrelink and DEWRSB working with it to streamline and improve jobseeker processes such as registration and referral.

- Establishing Employment National – the government owned employment services provider.

- The preparation of legislation to support the operation of Job Network. Following delays in the passage of this legislation, the government decided in early July 1997 to implement Job Network using existing legislation and administrative authority.

- Introducing interim labour market programme arrangements to facilitate the transition to Job Network while managing a significant reduction in programme costs.

- A comprehensive strategy that informed prospective tenderers and members of the public about the changes and the philosophy that underpinned them.

Many of these points stemmed from the government's decision to close all CES outlets on 30 April 1998 and commence operations under Job Network the next day. A phased or more graduated approach may have eased transition arrangements, although it may have also led to other logistical issues and client confusion. Further information on the transition process is provided in Riggs (2000).

4. Job Network services

Job Network provides five main services.[1] These services provide flexible and tailored assistance to jobseekers depending on their level of need.

1. *Job Matching*: labour exchange services which are available to most jobseekers working less than 15 hours per week. These services canvass employers for vacancies,

refer suitable jobseekers and assist them in preparing resumes. Job Matching services are offered by almost 160 Job Network members from nearly 1 750 sites and assist about 400 000 jobseekers annually.

2. *Job Search Training*: 15 consecutive days of training in job-search techniques, which may include interview techniques and presentation, course-based assistance and other strategies. Participation in Job Search Training followed by 14 weeks of intensive job search will fulfil jobseekers' mutual obligation. These services, which are mainly for jobseekers unemployed for between 3 to 12 months, are offered by over 90 Job Network members from more than 680 sites with about 90 000 participants annually.

3. *Intensive Assistance*: individually tailored assistance to more disadvantaged jobseekers. Services are provided for up to 12 months under Intensive Assistance level A and 15 months under Intensive Assistance level B, with negotiated extensions of up to six months being possible. Participation in Intensive Assistance will fulfil jobseekers' mutual obligation. Intensive Assistance is offered by almost 120 Job Network members from about 1 100 sites with an estimated 235 000 jobseekers being helped at any one point in time.

4. *New Enterprise Incentive Scheme (NEIS)*: training, assessment of business plans, business advice and mentoring support over a 12 month period when an NEIS allowance (equivalent to unemployment payments) is paid to selected jobseekers who have an idea for a business to become self-employed. These services are offered by over 50 Job Network members from over 350 sites with about 6 800 participants annually.

5. *Project Contracting*: a service to ensure that fruit and vegetable growers have access to sufficient labour to harvest crops. These services are offered by three Job Network members from almost 20 sites around the country.

While some Job Network members have been contracted to deliver single services others have won contracts to provide several Job Network services. Job Network members deliver the services for which they have been contracted within the terms and conditions of their contract. This includes working directly with jobseekers, employers and other agencies to get people into jobs (including self-employment) or training/education.

Jobseekers, Job Network members and mutual obligation

Centrelink is responsible for paying unemployment allowances to jobseekers (on behalf of the Department of Family and Community Services) and in return, jobseekers must meet the "activity test" – that is demonstrate that they are actively seeking and be willing to undertake any suitable work or undertake the activities specified in their Preparing for Work Agreement (PFWA – these were previously called "Activity Agreements").

Jobseekers receiving unemployment allowances must negotiate a PFWA with Centrelink. This signed agreement enters them into a two-way ("mutual obligation") arrangement based on the proposition that unemployed people, supported financially by the community, should actively seek work and improve their competitive position whilst looking for work. In this way they are able to give something back to the supporting community. PFWAs are tailored to a jobseeker's individual needs to include such things as job search requirements, referrals to Job Network members, Specialist Assistance and an agreed list of activities, all with the specific aim of improving a person's chances of

finding work. The PFWA represents an important development in the government's mutual obligation strategy.

Jobseekers who are referred to Intensive Assistance or Job Search Training need to sign a new draft PFWA with their Job Network member. The activities included in these draft PFWAs could include job search, job search training, work experience, vocational training, and volunteer work. Intensive Assistance providers must negotiate a draft PFWA with each of their clients, generally within five weeks of them commencing Intensive Assistance, and take into account matters such as the jobseeker's age, education, skills, labour market conditions and training opportunities available to the jobseeker. Providers then electronically submit the draft Agreements for approval by DEWRSB.

As Job Network members are actively involved in placing jobseekers in work, they are well placed to advise Centrelink if they suspect a breach of their "activity test" requirements has occurred. Examples of such breaches could include not attending a job interview or failure to participate in suitable training.

Centrelink staff investigate possible breaches recommended by Job Network members and if they confirm that a jobseeker has breached their activity test obligations, a penalty period of a reduced rate of allowance may be imposed. Subsequent breaches of the activity test may attract further reductions or non-payment of allowance for a period.

These penalties provide Job Network members with some leverage to ensure that jobseekers are actively looking for work and are complying with their PFWAs. However, up until the end of 1999, a relatively low proportion of recommendations from Job Network members had resulted in Centrelink imposing activity test breach penalties. This was due to a variety of reasons largely related to Job Network members having a poor understanding of the breach process. A joint Centrelink/DEWRSB review made recommendations to improve the rate at which breaches are applied. These include full automation of the breach process, more comprehensive guidelines for Centrelink staff, development of a best practice guide for Job Network members, upgraded training for both Centrelink and Job Network members and a number of computer system enhancements.

Determining eligibility for Job Network services

Centrelink staff determine eligibility for most Job Network services against parameters set by DEWRSB. Centrelink staff register jobseekers, identify their likelihood of becoming or remaining long term unemployed and refer them to Job Network providers.

Eligibility for Job Network services is based on a hierarchy of jobseeker need. Most unemployed people, irrespective of whether they are in receipt of income support, are eligible for Job Matching. Eligibility for Job Search Training and Intensive Assistance is more tightly defined to ensure that the assistance is directed to those most in need. To be eligible for these services jobseekers must generally be: in receipt of unemployment payments or a form of qualifying income support (such as payments for people with a disability or sole parents); or aged 15-20 years and not in full-time education; or an indigenous Australian participating in the Community Development Employment Projects scheme.

Most jobseekers who register as unemployed will find work within six months. A smaller proportion will have a relatively high probability of becoming long term unemployed if they do not receive substantial labour market assistance. Centrelink staff assess all jobseekers who are eligible for unemployment payments using a screening and assessment mechanism called the Jobseeker Classification Instrument (JSCI). The JSCI assists in the early identification of jobseekers from the

latter group who may require Intensive Assistance services (see Box 1). Those assessed as not requiring placement in Intensive Assistance may be offered a place in Job Search Training if the assessment indicates that they are job ready but lack job search skills, networks or motivation.

As much as possible jobseekers are offered a choice of Job Network members to help them find work. Jobseekers in receipt of unemployment payments must enrol with at least one Job Matching provider but to maximise their chances of employment can enrol with as many as 30 (in metropolitan areas).

Jobseekers assessed as needing Job Search Training or Intensive Assistance can express preferences for several providers and are referred to one of their preferred providers or (where these have no available places) to another provider. Most referrals occur in less than 10 days and all take place within 30 days.

Box 1. **The Jobseeker Classification Instrument (JSCI)**

The JSCI is a "profiling" instrument used by Centrelink staff to identify a jobseeker's relative risk of becoming or remaining long term unemployed. The instrument was developed through extensive research, expert judgement and wide consultation to ensure that it includes important factors that contribute to labour market disadvantage. Key among the 18 factors included are age, educational attainment, duration of prior unemployment, recency of work experience, country of birth and disability/medical condition. Each factor is assigned a numerical weight, or "points", indicative of the average contribution the factor makes to the difficulty of placing a jobseeker into employment.

Information on the 18 factors is collected during Centrelink's interviews with each jobseeker and the associated "points" summed to give a JSCI "score". This score indicates whether a jobseeker requires placement in Intensive Assistance, and the Intensive Assistance funding level (Level A or B) most appropriate to address their employment barriers. These funding levels determine the amount of money DEWRSB will pay an Intensive Assistance provider to assist the jobseeker, although providers may spend more money on some jobseekers and less on others.

The JSCI forms an important way of boosting the efficiency and effectiveness of employment assistance by targeting available assistance to those jobseekers who face the greatest likelihood of becoming or remaining long term unemployed and can benefit from it.[2] The JSCI represents a significant change from access arrangements used by the former CES, where eligibility was determined on the basis of association with a certain jobseeker group rather than an assessment of individual need. More information on the JSCI is provided in Riggs (2000).

The tender process, provider payment mechanisms and service quality monitoring[3]

DEWRSB is responsible for the purchasing (tendering) of Job Network services and contract management, including the payment of fees to providers and ensuring service quality. DEWRSB has purchased Job Network services through a single national tender process with organisations invited to tender to provide one or more of the Job Network services in any one of many geographic tender areas (137 in the second tender). Every tenderer has competed on the same terms and all tenders have been assessed against published selection criteria. A Probity Plan released with the Request for Tender, underpinned the process to ensure that all tenders were assessed objectively and consistently. Some organisations have been contracted to provide one service while others provide two or more.

Each Job Network service has a different way of paying providers.

1. *Job Matching*: providers claim an outcome fee when an eligible jobseeker is placed into a job (some placements are excluded, *e.g.* jobseeker found own work, commission-only jobs and jobs for less than 15 hours per week). The level of the outcome fee is determined by price-competitive tender. In addition, a fixed bonus payment (AUD 266) can be claimed when a formerly long-term unemployed person, in receipt of qualifying income support, has stayed in work for 13 weeks. Providers are contracted to make a certain number of job placements every 6 months. There is no guarantee of a particular flow of participants to any Job Network member: providers must attract eligible clients.

2. *Job Search Training*: for each commencement providers are paid a fee, which is determined by price-competitive tender. There is no guarantee of a particular flow of participants to any Job Network member: providers must attract eligible clients. When a participant is placed in a qualifying job a Job Matching fee is also payable, a fixed Job Search Outcome fee (AUD 266) is also payable if the participant commences a qualifying job by any method within 13 weeks of ceasing Job Search Training and stays in work for 13 weeks. Providers are contracted to serve an agreed number of commencements and make an agreed number of job placements.

3. *Intensive Assistance*: fees paid were determined through a competitive tender, where bid prices were subject to a floor (AUD 4 663 for level A and AUD 9 219 for level B). In this way, in the case of bids at the floor price, selection across tenders can be based entirely on the anticipated quality of service provision. The bid price is paid 30% on commencement. Then, when a jobseeker enters qualifying employment and goes off income support, after 13 weeks of work the 70% balance of the bid price is paid and after a further 13 weeks an additional fixed final outcome payment (AUD 1 064 for level A and AUD 2 128 for level B) is generally payable. For substantial periods of employment which do not result in complete cessation of income support, and for placement into eligible education, a smaller fixed payment of AUD 532 is payable at 13 weeks and again at 26 weeks. Providers are contracted for a maximum current caseload ("contracted capacity"), and Centrelink then attempts to maintain referrals to keep providers at 90% to 95% of contracted capacity, although the exact level will depend on jobseeker choice.

4. *New Enterprise Incentive Scheme*: providers specify both a fee determined through competitive tender (but which must cover the full cost of providing NEIS services) and a preferred number of places. At the start of each year providers receive an advance payment of 10% of total contract value, then 90% of each NEIS fee for each commencement, and a further 10% is paid if the participant is not receiving income support three months after the NEIS allowance ceases. In addition, a set fee of around AUD 160 is paid for each NEIS business plan that is assessed. Providers are responsible for attracting, screening and selecting eligible jobseekers, up to contracted capacity.

5. *Project Contracting*: providers are not paid fees for placing individual jobseekers, they are paid for delivering a service to growers in the harvest region. Half of the tendered fee is paid up-front before the harvest starts, performance is monitored and the remaining fee is paid at the end of the harvest season, subject to receipt of a satisfactory completion report.

In addition to the incentives provided by the payment structure, the performance of Job Network members is regularly assessed (typically every six months) against key performance indicators (for outcomes, contractual compliance, and quality and equity of service). Sanctions (such as a reduction in contracted capacity) may be imposed for temporary or ongoing poor levels of service.

Performance against indicators may be used in assessing future tenders and allocating the amount of business that is contracted. In the case of Intensive Assistance, for the second Job Network period accountability has been strengthened by requiring submission of a Declaration of Intent (DOI), which summarises the services that the tenderer expects to provide to jobseekers, with tender bids. The DOI forms a part of the contract. Providers must draw on the activities stated in the DOI to draft an Intensive Assistance Support Plan (IASP) which specifies the activities the member will provide to each jobseeker remaining on their caseload 13 weeks after they commenced.

Job Network support

Job Network Access

All jobseekers have access, free of charge, to job search facilities provided through Job Network Access in Centrelink offices. Through Job Network Access, jobseekers can use the Australian Job Search facility (a national computer system used by jobseekers to search for jobs – see below), personal computers (most with Internet access) and printers, photocopiers, facsimile machines, telephones and relevant newspapers as well as obtain information on Job Network members.

Information technology support for Job Network

DEWRSB's computer system -– the Integrated Employment System (IES) – supports the flow of information between Job Network members, DEWRSB and Centrelink for employment services and programmes.

Through IES Job Network members, DEWRSB and Centrelink can store information on jobseekers, employers, job vacancies and Job Network members, as well as the interactions that occur between them.

Job Network members use IES to record details of job vacancies, match jobseekers against employer's requirements (and vice versa), record referrals to jobs, and substantiate commencements and outcome payments for Job Network services (Box 2).

Australian Job Search (AJS) facility

AJS is the public face of IES and enables jobseekers to see available jobs by location or occupation. As well as job vacancies and seasonal employment, AJS displays information about Job Network members and services. AJS can be accessed on a network of over 2 500 touch screen terminals (stand alone computer terminals utilising touch screen technology) in 750 different locations all over Australia including Centrelink Customer Service Centres, offices of Job Network members and a number of sites in the general community. In addition, this service is also available through the Internet at http://jobsearch.dewrsb.gov.au.

AJS also provides employers with a national vacancy distribution service free of charge as well as providing jobseekers with immediate access to an extensive number of positions which have been lodged by employers, Job Network members, government agencies and sourced from newsprint media (electronic files containing vacancy data are uploaded to AJS by DEWRSB National Office via the internet). On average, between 40 000-50 000 positions are displayed on the AJS per month, though seasonal variations do occur (Box 3).

Box 2. **How employers get workers under Job Network**

Employers wishing to fill a job vacancy can either contact their local Job Network member or lodge a job vacancy directly for display on Australian Job Search (AJS).

Employers can locate Job Network members through the business telephone listings, by contacting Centrelink, by calling the Job Network Employer Line or through the internet. Employers can choose the Job Network members who best suit their needs and may use a number of different members.

Job Network members enter the employer's vacancy on IES. It is then displayed across the country through AJS. Jobseekers may approach the Job Network member about the displayed vacancy or the member may match people from their own registration lists.

Job Network members have the flexibility to offer a tailored package of services to meet an employer's particular business needs. This could include short listing and interviewing job applicants or other support (for example office space to conduct selection interviews, contacting referees, carrying out or organising background checks of applicants). Like every business, Job Network members are in competition. The success of their business depends on how well they meet an employer's needs. Job Network members providing Intensive Assistance have the flexibility to provide training, wage subsidies and other incentives to employers.

If undertaking their own recruitment, employers can call the Job Network Employer Line where an operator will take the vacancy details. These details are also displayed on AJS but instead of contacting a Job Network member applicants will call the employer direct. When the job is filled employers are asked to call the Employer Line to have the listing removed. Alternatively employers can also enter their job vacancy details directly using AJS' internet *Lodge-a-Job* service.

Employers can also use the AJS' internet *Resume Search* service to match their job vacancies against the resumes lodged by jobseekers through *Lodge-a-Resume*. Search criteria are based upon defined geographical areas and occupational categories, and a key search across job name, skills, work experience, hours of work and educational qualifications. Employers then e-mail the chosen jobseeker(s) using an identification number. The jobseeker's identity and personal details remain unknown to employers until the jobseeker contacts them in response to their e-mail.

Code of Conduct – Complaints line

The Job Network Code of Conduct is designed to assist Job Network members provide the highest-quality service and gives a quality guarantee for jobseekers and employers. It forms a part of the government's contract with Job Network members: they must commit to the standards in the Code, and meet or exceed those standards.

The Code is comprised of the following six principles:

- Ethical, respectful and fair treatment (covers the quality of the relationship with the jobseeker or employer).
- Accurate, relevant assistance (covers the quality of information, advice and assistance).
- Prompt, courteous service (covers how services are delivered to jobseekers and employers).

Box 3. **How jobseekers get jobs under Job Network**

People seeking work and applying for jobs advertised through Job Network must first register with either Centrelink or, if not applying for unemployment payments they may register through the Job Matching provider of their choice. Registration involves the recording of client details on IES. Centrelink gives jobseekers the details of local Job Matching providers. Jobseekers are free to choose the Job Matching provider(s) they prefer and can ask Centrelink to enrol them (electronically link their personal records stored on IES) with up to 30 different Job Matching sites (in metropolitan areas) to improve their opportunities of quickly getting a job. In rural areas there are generally at least two local providers. The jobseekers name then appears on the providers list of enrolled jobseekers.

When enrolling in this way jobseekers do not need to visit the Job Network member concerned. However, jobseekers may be asked by the Job Network member or individually decide to provide further information about their skills and work history in order to help the Job Network member find them a job. If jobseekers in receipt of unemployment payments do not enrol with at least one Job Matching provider within 14 days of the first payment of their unemployment allowance, Centrelink will review their compliance with the obligations for receipt of that allowance. If the jobseeker has not fulfilled these obligations Centrelink may reduce or stop their unemployment payments.

Jobseekers contact the Job Matching provider(s) with which they are enrolled on a regular basis to find out about available job vacancies and also search for jobs on AJS. Job Network members may also match jobseekers who are enrolled with them to available jobs.

Where recruitment for a job is being handled by a Job Network member on behalf of an employer, the jobseeker calls the member concerned, who checks the jobseeker's suitability for the position before referring them to the employer. If successful in getting the job, the jobseeker advises the Job Network member concerned who then submits a claim for payment to DEWRSB via IES.

Where employers are recruiting directly on AJS, jobseekers contact the firm using the contact details lodged with the vacancy details. Jobseekers also use Job Network Access facilities provided at Centrelink offices to help them get a job.

- An accessible, effective complaints process (covers providing a complaints process for all jobseekers and employers).
- Privacy and confidentiality (covers meeting jobseekers' and employers' privacy requirements).
- Responsible advertising (requires that advertising should be accurate, be consistent with community standards and comply with Commonwealth and State laws).

A confidential, free complaints process through the Job Network Customer Service Line supports the Code. Jobseekers are encouraged to first attempt to resolve any difficulties they may have with their Job Network member. If they are dissatisfied with the outcome of this process or if, for some reason, they cannot raise the matter with the Job Network member concerned, they can contact the Customer Service Line. Remedial action can be taken on behalf of a jobseeker or employer. Sanctions and other contractual remedies can be applied to Job Network members who breach the code.

These arrangements reflect a balance between protecting services to jobseekers and employers and minimising government regulation of Job Network members' day-to-day business and the way in which services are delivered. The Code and complaints mechanisms have proven to be

successful, with around 30 000 calls being directed to the Customer Service Line up to the end of July 2000 and some 95% of these being resolved within five working days

5. The second Job Network tender

The first Job Network contract ended on 27 February 2000. The first contract period ran for 22 months (initially 19, with an extension announced in December 1998) to ensure that the government retained flexibility to change the arrangements if necessary. While some small adjustments were made during this period, the policy framework for Job Network has proven itself fundamentally sound. The second Job Network tender follows the path of evolutionary rather than revolutionary change.

The second Job Network contract involves the delivery of employment services worth about AUD 3 billion for three years from 28 February 2000. It is anticipated that approximately AUD 537 million will be spent on Job Matching; AUD 161 million on Job Search Training; AUD 2 014 million on Intensive Assistance; AUD 230 million on the New Enterprise Incentive Scheme and AUD 12 million on Project Contracting.

Following a series of consultations, an exposure draft of the second Employment Services Request for Tender was published on the internet on 16 April 1999 to provide the public and prospective tenderers with the opportunity to comment before the finalisation of the tender document. The second Employment Services Request for Tender 1999 was released on 11 June 1999 and closed on 30 July 1999.

To ensure that jobseekers and employers continued to receive assistance from high performing employment organisations, there was a strong focus on the quality of services in the second tender assessment process. Past performance – whether in Job Network or elsewhere – was used as a key indicator of likely future success in service delivery, with the strategies and interventions outlined by a tenderer, more than price, being given primary consideration in the assessment of tenders. Service quality accounted for 75% of the assessment outcomes, with price being worth 25% of the outcome. This more sophisticated assessment model was made possible because of the collection of performance data from the first Job Network contract. The absence of these data in the first tender meant that a simpler assessment model was employed – tenders were assessed as satisfying specified standards, and then ranked according to price within each tender region.

The level of employment service places contracted in each region was based on the number of jobseekers present. These data were published in the Request for Tender.

Policy changes for the second Job Network tender

The framework for employment services under the second tender was maintained to ensure stability in the market and maintain momentum in the development of a high performing employment services industry.

The most significant change from the first contract was the introduction of managed price competition for Intensive Assistance. In the first tender round, Intensive Assistance was contracted at a set price. This decision was based on concerns that tenderers would initially lack the expertise to accurately cost such a flexible and diverse service. In the second round, all Job Network services were tendered for on a price competitive basis. However, to ease the transition to a fully competitive market

for Intensive Assistance, and as a safeguard to protect service quality and reduce the risk of market failure, a minimum price was set below which tenderers could not bid.

In the first contract period Job Network members were required to assist a diverse range of jobseekers. However, for the second tender Intensive Assistance providers were allowed to bid to specialise exclusively in specific client groups such as people with a disability, indigenous peoples, people from non-English speaking backgrounds and young people.

Some 29 organisations have demonstrated their ability to provide specialist services and provide these from 113 sites. Many other Job Network members deliver specialist services to jobseekers with particular needs as part of their general contracts.

Results of second tender and comparison with first tender

The second Job Network has nearly 200 Job Network members: over 80% are organisations from the first Job Network and the remainder are new entrants who were able to demonstrate a capacity to achieve employment outcomes for disadvantaged jobseekers. The number of providers is around 100 fewer than in the first Job Network. This reduction can, in part, be attributed to:

- The increasing development and maturity of Job Network, with some providers electing to form consortia with other organisations.
- A decision to reduce the minimum number of providers sought to cover a particular area from five to two or three. During the first contract period a number of towns may have had too many Job Network members competing for a finite level of business. This decision ensures that jobseeker and employer choice is maintained while giving organisations a more sustainable client base. The decision recognises that the success of Job Network for jobseekers will be determined more by how well areas are serviced (that is: the geographical coverage of Job Network services and the number of sites or outlets Job Network members may have in an area) than the actual number of organisations contracted to provide Job Network services.

While there is an overall reduction in the number of organisations contracted for the second Job Network, the number of sites rose from about 1 400 to over 2 000. In regional Australia, the number of sites has almost doubled, with an increase from about 600 to around 1 100. Nearly 150 locations have gained a Job Network site for the first time. This improved result for jobseekers in regional Australia is largely due to the smaller geographical tendering blocks (employment service areas) used in the second tender. In the first tender, organisations bid for services in 29 regions and priced the provision of services for a whole region. However, in the second tender, tenderers could bid for services in 137 employment service areas and, in non-metropolitan areas, could submit prices for providing services at this level rather than for whole of larger and more diverse regions. This arrangement not only gave tenderers the confidence to bid for services in these more remote and difficult labour markets but, when compared to the prices bid for similar regions in the first tender, helped ensure that the prices tendered better reflected the true cost of delivering employment services in these locations. To offer tenderers some scales of economy, preference in the business allocation process was given to tenderers that provided services to the whole of an employment service area.

The track record of the providers who were successful in the second tender bodes well for jobseekers and, in particular, the long-term unemployed. For Intensive Assistance, the average performance of successful tenderers was nearly 25% above the average for all providers in the first Job Network.

Under the second Job Network there has been an increase in market share for the community and small business sectors. Community based and charitable organisations comprised about 30% of the first Job Network, but now form around 45% of the market. The private sector also expanded from about 33% to 47%.

The share of government organisations fell from around 37% to 8% of the second Job Network. Employment National was successful in its bid for Job Matching services and was contracted to provide an increased share for this service (from 18% to 22%), reflecting its good performance and strength in Job Matching which was in some regard a carry over from the traditional job brokerage business of the former CES. However, Employment National's performance in the Intensive Assistance market was not competitive and it was among a number of tenderers which did not secure the level of Intensive Assistance business sought. Employment National now has 1% of the Intensive Assistance business compared to 42% under the first contract.

The second Job Network tender outcome clearly demonstrated the success of the original concept for Job Network. In only two years, the market had matured to the point where it was no longer reliant on a large government owned provider. The tender demonstrated that there is more than enough capacity amongst better performing community and smaller private sector providers and potential new entrants to maintain a viable and high performing employment service to jobseekers and employers.

6. Lessons learned

A number of key early challenges in establishing and bedding down Job Network are evident with hindsight. In essence, these tend to go to establishing the operations and credibility of a new system. Nine of the key issues are summarised in the following section.

The importance of probity and defensible contracting processes

The first Job Network tender was claimed at the time as being the largest public tender of human services in Australia's history. The tender process was highly competitive with more than 1 000 organisations from across Australia submitting over 5 300 bids. Given the scale of the tender and size of total funds involved (AUD 1.7 billion over 19 months), it was imperative that the process be objective, rigorous and consistent so that no tenderer was advantaged or disadvantaged. To ensure this result the tender process was underpinned by a Probity Plan and monitored by an independent Probity Adviser and independent observers. The transparency of the process helped promote public confidence in the tender.

The Probity Adviser declared that the first Job Network tender had been conducted in accordance with the probity requirements. There was no evidence of systematic bias, lack of objectivity by assessment teams, or patterns of scoring or ranking which advantaged or disadvantaged any particular bidder. The Australian National Audit Office report (ANAO, 1998) concluded that the implementation of Job Network had been managed effectively and efficiently in accordance with announced government policy and timeframe. The report found that DEWRSB had effectively managed the potential risks associated with the tender evaluation process and established appropriate procedures for evaluating tenders.

The fact that over 700 tenderers were unsuccessful in the first tender round meant that it was inevitable that some criticism of the process, and its probity considerations, would be aired. However, coupled with comprehensive feed back sessions which were available to all tenderers, the adherence to

probity requirements resulted in only 12 Freedom of Information requests and one case before the Australian Administrative Appeals Tribunal.

Based on the experience of the first tender, the second Job Network tender process was also underpinned by a Probity Plan and monitored by an independent Probity Adviser. Given the outcome for Employment National, the second tender process was also subject to close scrutiny. Several individuals and organisations made unfounded allegations that the tender process has been subject to political interference. The Probity Adviser's defence of the tender proved invaluable in this context.

The need for adequate communication strategies

The CES had been in existence for 50 years and employers and jobseekers were familiar with its operation. To develop public awareness of the new arrangement a major (AUD 9 million) communications campaign began in February 1998 directed to unemployed people, employers and the general community. The campaign strategy was comprised of public relations, advertising, market research, and specific campaigns for indigenous Australians and non-English speaking jobseekers

In addition to extensive television and print media advertising, a Job Network Information telephone service and Job Network Internet site were established to provide up-to-date information for both jobseekers and employers. When Job Network was introduced on 1 May 1998, all registered unemployed people were also notified in writing of assistance available through the new employment services. While the campaign achieved high broad level recognition of Job Network advertising among employers and jobseekers (80%) soon after the implementation of the market, later market research identified that employers, in particular, needed additional information about how Job Network operates and how to best use it.

To coincide with the commencement of the second contract period, a new communications strategy was developed focussing on promoting Job Network to employers. It featured print (newspapers and magazines) and radio advertising as well as other activities designed to help Job Network members market their services to employers at the local level. The campaign is being supported by a range of information and marketing materials (brochures, pamphlets and posters) distributed through Job Network members and Centrelink offices. A jobseeker telephone hotline and employer hotline provides callers with general information about Job Network and the details of Job Network members. The internet site www.jobnetwork.gov.au provides an alternative source of information on Job Network.

Cultural change

Centrelink

Centrelink faced challenges in combining the service delivery aspects of two previously distinct organisations. The provision of income support and activity testing (as previously undertaken by the former Social Security portfolio and now provided by Centrelink on behalf of the Department of Family and Community Services) had to be integrated with jobseeker assessments and referrals to labour market assistance (previously undertaken by the CES). Some of the initial issues that required resolution included:

- Ensuring effective liaison between Centrelink and DEWRSB.

- Establishing effective processes that reflected the needs of DEWRSB for nationally consistent operational procedures.

- Developing local partnerships between Centrelink offices and Job Network members.

- Developing efficient local, grass roots communication mechanisms between DEWRSB, Job Network members and Centrelink.

At first, the requirement that jobseekers be interviewed by Centrelink led to delays in referrals and consequently, complaints that Job Network members were not getting enough jobseekers. In 1998-99 DEWRSB and Centrelink developed strategies to overcome these difficulties, including the implementation of more streamlined and automated processes to identify and refer eligible jobseekers.

Centrelink has played a vital role in the ongoing development of Job Network by working hard to improve service delivery to jobseekers and build relationships with service providers. Centrelink has in train further improvements to the delivery of employment services to jobseekers which include the development of a new service delivery model. The "one to one" (caseloading) strategy, which involves allocating a particular Centrelink contact person to each jobseeker, and the "preparing for work" strategy aim to ensure that every contact with a jobseeker focuses on their job-search experiences, gives consideration to possible programme interventions and encourages further job search to improve employment prospects.

Job Network members

Job Network members had to address substantial logistical issues, particularly in setting up their employment service operations between the announcement of successful contracts (26 February 1998) and the introduction of Job Network on 1 May 1998. Many Job Network members needed to establish offices in new locations, recruit staff and provide training in new procedures and information technology systems and refine local links with jobseekers and employers. This situation was largely avoided in the second Job Network as sensible tenderers made their own judgements about the likelihood of being offered business and some advertised early for staff or started setting up their infrastructure ahead of confirmation of contracts.

The more sophisticated and more business-oriented members developed a range of procedures to manage the workloads they actually experienced (which may have been different to their original expectations) and to position their businesses to market their new services to both employers and jobseekers. For others, the cultural transition was more difficult as some business skills and attitudes needed to be developed.

The difficulties experienced by some Job Network members can also be partially attributed to their inability to quickly adapt their existing business structures to the levels of income flowing from their Job Network allocations. For example, some organisations, which had provided assistance under the previous labour market programme arrangements, maintained their previous staffing levels even though their level of business (and therefore cash flow) had decreased significantly.

There was some initial criticism voiced by employers over some Job Network members charging for services. However, many did not charge for services, and as the market settled, those that did restructured their fees and services in response to market demand.

The level of services provided by Job Network members

The role of DEWRSB as purchaser of services combined with a desire to afford Job Network members every flexibility in providing Intensive Assistance services has meant that the strategies and practices being utilised by Job Network members to assist jobseekers are not fully known. However, it appears that Intensive Assistance providers (from both the community and private sectors) during the first Job Network relied on fostering self-reliance in jobseekers (by ensuring they undertake job search) rather than providing all jobseekers with proactive assistance (such as training to address labour market barriers). The exact balance of the giving-assistance and fostering-self-reliance approaches is not known.

While some of the Job Network members using the self-reliance approach to assist jobseekers might have also provided specialised job search assistance (evidence suggests that this can be a very cost-effective option for many jobseekers), anecdotal information from jobseekers and Job Network members suggest that some Job Network members might have used the funds they did not spend on assisting jobseekers, at least in the start up phase, to pay for infrastructure expenses and to support other services. Some Job Network members new to the provision of employment services and unfamiliar with the operation of Job Network could also have been risk averse in managing the cash flow from Intensive Assistance – adopting a wait-and-see approach rather than taking a calculated chance in spending the up-front fees (on training or other employment assistance to improve jobseeker employment prospects) to obtain the larger outcome payments.

Regardless of the reason(s) for this behaviour, it is not expected to carry over as the second Job Network market matures and stabilises. New measures, such as the requirement that Intensive Assistance providers specify how they intend to assist each jobseeker, have increased the accountability of members without limiting their flexibility.

The need to be responsive to issues raised

Job Network represented a significant change for the previous arrangements. Some fine-tuning was required to ensure optimum performance and early adjustments to Job Network were made in August and December 1998. The August adjustments involved broadening the eligibility for the Job Matching services to include a wider range of jobseekers (including unemployed people not in receipt of government income support).

The December adjustments came after extensive consultation with Job Network members and the National Employment Service Association,[4] and were designed to increase the income and cash flow of Job Network members. This package was necessary to address growing concern by some Job Network members providing only Job Matching services that they had not properly costed the provision of those services. Although DEWRSB had contracted providers for the price they submitted, it became increasingly evident that for some members this was below the cost of service delivery. The adjustments to Job Matching included the provision of up front payments, payments for the provision of additional services (such as the preparation of resumes) and additional payments for Job Matching providers in regional areas. Job Search Training was extended to carers returning to the workforce who are not receiving an unemployment allowance. Funding was also provided to Job Network members for local marketing activities aimed at increasing levels of employer awareness and understanding of Job Network.

Job Network members who did not want to continue in the employment services market were offered financial assistance (up to AUD 15 000 per outlet) to help cover the costs of closing offices and withdrawing from the market. As at 31 January 2000, 22 Job Network members had exited

the market. These were small organisations which provided services through 67 sites. Business contracted to these organisations was reallocated to other Job Network members. The majority of the organisations that exited were contracted to provide only Job Matching services and, while the reasons for exiting are not clear, it appears likely that their tendered Job Matching fees being too low was a factor.

Perhaps a key aspect to the successful implementation of Job Network was a willingness to make adjustments to the arrangements. The government has been responsive to issues raised by Job Network members, employers, jobseekers, and other key groups, and has reviewed arrangements and made adjustments as necessary as part of the bedding down process.

Providing jobseekers and Job Network members with performance information

In order to achieve and maintain high performance in any arrangement regular feedback is needed. In Job Network, this means providing feedback on performance relative to others in the market, both to help consumers (jobseekers) make informed choices of the Job Network members that are best placed to assist them into employment and to allow providers to see how well they are performing compared to their competitors and to better position their services.

Dissemination of Job Network member performance information collected by DEWRSB for system management purposes can meet these needs. However, a number of issues need to be addressed before there can be wide public release of comparative performance data. The performance of large providers needs to be considered equitably with small providers, metropolitan providers (in better labour markets) with rural providers (in weaker labour markets) and those that specialise in helping the most disadvantaged. Sufficient outcome information is also needed before comparative performance can be meaningfully reported. For example, due to the length of time it takes to achieve an Intensive Assistance outcome, meaningful outcome data was not available (even at an aggregated level) until almost 12 months after the commencement of Job Network.

The government has taken a staged approach to the release of performance information collected by DEWRSB. Initially, providers could access reports on their own performance via the internet. From June 1999, Job Network members could compare their own performance with that of the labour market region in which they operate. In December 1999, the government first released performance ratings that measured the extent to which Job Network members achieved outcomes. This provided the first public picture of performance in a region at an organisational level. Once outcomes have built up to a level that can be effectively and usefully reported at the individual site level for Job Network members, it is planned that comparative ratings of Job Network members will be publicly released on a quarterly basis.

Effective and efficient management information systems

Efficient management information systems are essential to successful operation of Job Network. They fulfil a number of crucial tasks including the management of job vacancy and jobseeker information, performance reporting and as a way for Job Network members to claim payments. IES can be accessed by Job Network members via the internet, or through a permanent or dial-up connection. Due to the increasingly common use of the internet the latter forms of connection will be phased out over the second contract. In addition, there are facilities which allow Job Network members to use their own computer systems to record and transmit information through a secure internet link to IES.

The risks of a competitive tender process

Despite best endeavours, there are a number of potential risks in conducting a competitive tender, such as:

- The absence of suitable tenders for certain regions, especially in the rural and remote areas of Australia.

- Tenderers getting fundamental aspects of the tender wrong, such as their price or business levels.

- Good quality tenderers ruling themselves out of the tender process by failing to conform to basic tender requirements.

These risks were managed in a number of ways. For example, in instances where the competitive tender process does not identify suitable organisations, scope exists to purchase packages of employment services through limited additional (fee for service) tenders. Fee for service activities were purchased in four locations in the first Job Network and in six locations in the second Job Network. Should fee for service tenders not result in the required outcome, the government has the option, which it has not had to resort to, of directing Employment National to deliver services at cost through its Community Service Obligation arrangements.

To manage the second and third risks, all tender documentation for both the first and second Job Network tenders clearly detailed the services the government was to purchase and the process for deciding successful tenders. This was supported by detailed information sessions conducted by senior DEWRSB staff, a telephone and internet service to answer questions and for the second tender, a guided electronic form that prompted tenderers to complete all relevant fields. Because of time and resource constraints, and the sheer logistics of such an approach, it was decided that there would be no negotiation with tenderers at any stage of the tender process. The tender documentation clearly stated that tenders would be excluded if they, for example, omitted certain key details or ignored certain instructions. In both Job Network tenders there were bids that were excluded for these reasons. However in these situations the depth and quality of valid bids has been sufficient to maintain competitive conditions.

Management of Job Network

The shift in the role of the government from service provider to purchaser required the development of new skills for DEWRSB staff. During the first Job Network contract period, the development of consistent and professional contract management skills and procedures was necessary to support the compliance focus of contract management. For Job Network to continue to develop as a high performing employment services market in the second contract there is a need to develop a holistic partnering arrangement, while still ensuring contractual obligations are met. This arrangement will ensure better outcomes for all stakeholders, including jobseekers, employers and Job Network members.

Contract management

To support the operation of Job Network there is a network of DEWRSB contract managers located in five District and seven State offices over sighted by a National office. During the first contract period, contract management was largely at the administrative to basic contract management

level – monitoring progress against contracted numbers and placement targets, record keeping, making payments, and building relationships between Job Network members and DEWRSB.

For the second contract there is a desire to move contract management to a higher level where DEWRSB is fully involved in Job Network and develops relationships and partnerships with Job Network members and other stakeholders such as industry associations and State/Territory governments.

This will allow DEWRSB to:

- Identify and address problems before they impact on performance.
- Know the stakeholders and the relationships between them.
- Help build Job Network members' confidence in DEWRSB and their business.
- Help Job Network members through best practice studies without jeopardising confidentiality.
- Help establish links between stakeholders.
- Know in greater detail the strengths and weaknesses of the system.

It is recognised that building such relationships in a competitive and flexible environment is difficult because each Job Network member seeks maximum information and assistance, and the perception that greater assistance or better service is being provided to one Job Network member over another would be damaging. The challenge is to develop the ability/skills of contract management staff to a level so that they can work through a wide variety of complex situations. Such skills and knowledge should involve: a sound understanding of the basic rules and parameters and reasons for them; good judgement; common sense; and sensitivity to the broader economic and political environment within which Job Network operates.

Market development

As part of a holistic contract management approach, a market development strategy now provides a range of activities to encourage best practice and build strategic alliances. Such an approach relies on the market having stability and developing a clear identity and confidence in its ability. Market development activities include:

- Convening state and national Job Network member forums.
- Development of self assessment packages to enable Job Network members to undertake internal quality audits.
- Disseminating information on continuous improvement tools.
- Developing training packages for members on issues such as client privacy, marketing and performance management.
- Collating and circulating information on best practice and market research results.

7. Outcomes

In its first year of operation, Job Network has proved to be more successful than the former CES in achieving employment outcomes for jobseekers and employers. Performance has continued to improve, especially as the market has settled into the second contract period.

Updated performance data were expected to be published in mid October 2000 in the DEWRSB Annual Report 1999-2000, available on the DEWRSB web-site at http://www.dewrsb.gov.au/department/keycorporatedocuments/. Additional performance data on Job Network and other employment services were expected to be available on the web site on a quarterly basis from late 2000.

Job Network services

Job Matching

In 1998-99, over 570 000 vacancies were placed on AJS. From 1 May 1998 to 30 June 1999 there were 298 400 placements of eligible jobseekers into jobs through Job Network, including 283 800 in 1998–99. Of total eligible placements (for which a Job Matching fee was paid), 59.8% have been into permanent jobs and 35.2% were for long term unemployed jobseekers. In the last six months of 1998-99, Job Network placed an average of 6 100 eligible jobseekers per week into jobs.

For the twelve months from May 1998 to April 1999 on a like-for-like basis, Job Network members recorded around 177 000 (54%) more vacancies notified and over 72 000 (43%) more eligible placements in jobs than the CES did in its last twelve months of operation between May 1997 and April 1998.[5]

Although direct comparisons are difficult, in the first eight months since the extension of Job Matching to jobseekers not in receipt of government income support (September 1998 to April 1999 inclusive), Job Network placed 61% more clients than the CES did in the September 1997 to April 1998 period.

Job Search Training

From 1 May 1998 to 30 June 1999 around 59 800 jobseekers commenced Job Search Training, including 54 400 in 1998-99. Of the jobseekers who had participated in Job Search Training from 1 May 1998 to 30 June 1999, 15 000 were placed in jobs under Job Matching. Monitoring surveys indicate that 45.4% of jobseekers who left Job Search Training in the year to September 1999 were in unsubsidised employment or further education and training three months later. Although in-depth analysis has not be undertaken regarding participant characteristics, this is significantly higher than the positive outcomes measured on a similar basis (*i.e.* including those who went on to further assistance) achieved in 1995-96 by the former Job Clubs labour market programme (29.9%).

Intensive Assistance

Around 361 200 jobseekers commenced Intensive Assistance from 1 May 1998 to 30 June 1999 including 289 500 in 1998-99. The targeting of Intensive Assistance to jobseekers most disadvantaged in the labour market has proven to be particularly effective, with over 71% of total

Intensive Assistance commencements up to 30 June 1999 being long term unemployed. At 30 June 1999, Job Network members were at around 95% of their contracted number of clients to be assisted at any point in time. Job Network members made 106 000 Job Matching placements for jobseekers receiving Intensive Assistance (*i.e.* long term unemployed and other disadvantaged jobseekers), which is approximately 35.5% of all eligible job placements under Job Network.

It is too early in the market to assess the full impact Intensive Assistance has had in gaining employment for jobseekers. Jobseekers referred to Job Network members for Intensive Assistance are eligible for up to 21 months of assistance. However, even at this early stage Job Network members are achieving high levels of placements into jobs as well as achieving an increasing number of sustained employment outcomes.

The early performance of Intensive Assistance compares favourably with previous labour market programme and case management arrangements. For example, up until the end of September 1999 around 43% of Intensive Assistance participants were in unsubsidised employment or further education and training three months after leaving assistance. Although direct comparisons are difficult, this compares favourably with the results from previous labour market programmes.

This is particularly impressive given the level of disadvantage of Intensive Assistance participants. For example, of Intensive Assistance referrals between 1 May 1998 and 30 September 1999:

- 60% had been unemployed for 12 months or more;
- 33% had not completed year 10 of secondary schooling or equivalent;
- 31% had only completed year 10 of secondary schooling or equivalent; and
- 39% were aged 40 years or more.

New Enterprise Incentive Scheme (NEIS)

From 1 May 1998 to 30 June 1998 around 6 640 jobseekers commenced NEIS including around 6 550 in 1998-99. This compares favourably to the 6 281 jobseekers who commenced NEIS in 1997-98. Monitoring surveys of former NEIS participants indicate that 86% were in unsubsidised employment or further education and training three months after leaving assistance. This is the highest level of positive outcomes recorded for the programme since NEIS performance monitoring began in 1995.

Project Contracting

In 1998-99 Project Contracting arrangements placed over 18 200 jobseekers in harvest work across 11 harvest areas.

Assistance to jobseekers from special groups

The performance of Job Network is monitored to ensure that jobseekers from target groups receive equitable access to services. Table 1 compares shares of the jobseeker population registered with Centrelink with numbers of job placements by Job Matching providers and referrals to other Job

Network services. However, it should be noted that Job Network is not the only source of assistance for jobseekers. Many jobseekers may also access other programmes such as the Indigenous Employment Policy for Aboriginal people and Torres Strait Islanders and a range of initiatives for unemployed young people (see Riggs, 2000).

Table 1. **Job Network enrolment and referral shares for disadvantaged jobseekers: 1 May 1998 to 24 September 1999**
Percentage

	Registered jobseekers [a]	Job Matching [b]	Job Search Training [c]	Intensive Assistance [c]
Jobseeker group				
Indigenous Australians	4.4	2.3	0.6	6.4
Sole parents	6.7	2	2.9	3.0
Non-English speaking background	13.9	11	9.8	20.1
People with a disability	15.1	8.7	6.8	16.7
Youth	24.8	27	23.5	14.4

a. Percentage of all registered jobseekers who are: in receipt of unemployment payments (or other government income support); or are 15-20 years of age and not in full-time education; or are indigenous Australians participating in Community Development Employment Projects.
b. Percentage share of job placements.
c. Percentage share of referrals to Job Network members.

Because of their barriers to finding employment, it is to be expected that members of traditionally disadvantaged groups may have a lower representation in Job Matching and Job Search Training. However, with the exception of sole parents and young people, referrals to Intensive Assistance are at least the equivalent of the share of the unemployment register. Many sole parents, because they are in receipt of an alternative allowance to unemployment payments, are not required to participate in Job Network. This explains their lower representation in Intensive Assistance.

Compared to their share of the register, younger jobseekers have a lower share of referrals to Intensive Assistance, a roughly equivalent share of referrals to Job Search Training and a higher share of Job Matching job placements. This is because they are on average less disadvantaged than other groups of jobseekers and typically have shorter durations of unemployment. Younger jobseekers also have access to a range of programmes administered by the Department of Education, Training and Youth Affairs. They may also be required to fulfil community obligations, such as participating in a Work for the Dole project or undertaking some other activity. These activities are a part of the government's policy of mutual obligation – that those in receipt of unemployment payments should give something back to the community (see Riggs, 2000).

Jobseeker perceptions of Job Network services

The success of Job Network is backed up by the results of the *Survey of Jobseeker Perceptions of Job Network*. The survey of over 15 000 jobseekers was conducted in mid 1999. Overall more than 80% of jobseekers were satisfied with the service provided through Job Network, with 75% rating the service as high quality. Those jobseekers who had experience with both the CES and Job Network were asked to compare the services received on a number of important dimensions. Most notably:

- The number of jobseekers rating Job Network as providing a more professional service was four times greater than the number rating the CES as better.

- Job Network was rated as providing a more individualised and personalised service than the CES.

- The overall service from Job Network was rated better by around three times the number of jobseekers who considered that the CES was better.

For individual services:

- *Job Matching*: around 80% of jobseekers were satisfied with the Job Matching services received, 70% reporting that a choice of provider was a positive feature of Job Network.

- *Job Search Training*: 86% of jobseekers were satisfied with the Job Search Training services received, with almost 80% considering the assistance they received to be high quality.

- *Intensive Assistance*: 83% of participants in Intensive Assistance reported being satisfied with Intensive Assistance services, with more than 80% considering the assistance they received to be high quality.

- *NEIS*: more than 90% of participants were satisfied with the service they had received under NEIS, and 90% considered it to be high quality.

Job Network evaluation strategy

The government endorsed a strategy for the evaluation of Job Network in December 1996. The main features of the Strategy are:

- *Stage One: Implementation Report*, provided to government in early 2000, assessed the implementation of Job Network, issues arising from and early market experience.

- *Stage Two: Progress Report*, to be made available to government in December 2000, is to examine how well the arrangements are progressing.

- *Stage Three: Effectiveness Report*, to be made available to government in December 2001, will provide a comprehensive evaluation of the effectiveness of Job Network in improving the employment prospects of jobseekers on a sustainable basis.

The Evaluation Strategy also flagged the need for an *Independent Review* of the policy framework, which will determine how it can be improved and to what extent it could be applied in other areas of service delivery. A report of this review is planned for December 2001.

The key findings of the Implementation Report included:

- The quality of services to jobseekers has improved under Job Network.
- Job Network was consistently rated better than the CES by employers, in particular for providing a quick and individually tailored service and for showing an understanding of the commercial environment.
- The competitive tendering process has resulted in a substantial increase in the number of sites and range of providers available to jobseekers and employers.
- The JSCI classifies the majority of jobseekers accurately.
- Both the probity adviser and the Australian National Audit Office reported favourably on DEWRSB's tendering processes.

8. Conclusion

In Australia the prerequisite conditions for developing a contestable market already existed in the market place before the introduction of Job Network. There was a wide range of professional private employment agencies that had already built up close relationships with employers. There was also a well-developed non-profit community services sector, many of these organisations had previously provided services to unemployed people. The introduction of the Job Network allowed both the private and community organisations to expand and build upon their diverse strengths. These sectors have demonstrated their ability to achieve in a performance orientated market and now hold an increased share of the employment services business.

Despite the depth of quality employment services organisations present in Australia, it still took some time for Job Network to establish itself as a credible employment services option. This was in part due to the inexperience of many providers in operating in a contestable environment. While organisations were used to helping unemployed people, they were not used to being paid on the basis of outcomes. It therefore took some time for agencies to build internal efficiencies and processes.

A number of cultural adjustments also had to occur. These included encouraging providers to use the flexibility available to them to assist jobseekers in innovative ways, investing funds up front on jobseeker assistance in order to improve jobseekers' prospects of finding employment and operating under market safeguards such as the Code of Conduct and Job Network members' internal complaints mechanisms within contractual provisions rather than voluminous programme guidelines.

While it was anticipated that these cultural changes would be aided by the long lead-time between announcement of the proposed reforms to employment services (August 1996) and implementation of Job Network (May 1998) as well as communication strategies to ensure that the reasons and nature of the changes were well understood, it is apparent that some stakeholders did not grasp the concept of Job Network until well after the start of the market.

Another essential element in establishing the new market was the adherence to the principles of competition and procedural integrity (probity) in the tender process. Both an independent probity

adviser and the Australian National Audit Office found that DEWRSB had effectively managed the potential risks associated with the tender evaluation process and established appropriate procedures for evaluating tenders. Without such endorsement, both tenders may not have withstood the close public and political scrutiny they received.

Job Network provides one model of service delivery which may be of interest to other countries in the context of introducing outcomes focussed employment services delivered in a contestable market. The reforms implemented by Australia have maintained a role for the public sector and have enhanced the level of public access to quality employment services for both jobseekers and employers.

There is a strong indication that Job Network provides better employment opportunities for jobseekers than previous labour market programmes arrangements and that the system of paying for outcomes is achieving this result at lower cost to the government.

NOTES

1 Further information on Job Network services is given in Riggs (2000). New Apprenticeship Centres, which provide integrated and streamlined apprenticeship and traineeship services to employers and jobseekers were a part of the first Job Network. However, these now operate outside Job Network and are administered by the Department of Education, Training and Youth Affairs.

2 Jobseekers with especially difficult personal labour market barriers and problems such as severe disabilities which make them unlikely to benefit from Intensive Assistance may be provided with support through the Community Support Programme or the Department of Family and Community Services rehabilitation services.

3 Further information on the nature of the main Job Network services, as well as the tender process, provider payment mechanism and performance monitoring arrangements in each case are given in Riggs (2000). Payment mechanisms and fees are those applying to the second Job Network contract.

4 The National Employment Services Association is the peak body for the employment services industry in Australia. The Association is a not-for-profit organisation that represents the majority of organisations engaged in the delivery of employment services to employers and jobseekers.

5 Job Network vacancies have been discounted by 3.5% to allow for those vacancies that are unlikely to result in an eligible placement for payment. For the CES figure, vacancies have been discounted by 40% to exclude temporary/casual jobs (not the type of jobs eligible under Job Network) and adjusted to exclude 'raised for jobseeker' jobs (that is where jobseekers found their own jobs, the equivalent of which are unlikely to be funded under Job Network).

BIBLIOGRAPHY

ANAO – Australian National Audit Office (1998), *Management of the Implementation of the New Employment Services Market. Department of Employment, Education, Training and Youth Affairs*, The Auditor General Audit Report, No. 7, Canberra.

DEETYA – Department of Employment, Education, Training and Youth Affairs (1996), *Working Nation: Evaluation of the Employment, Education and Training Elements*, EMB Report 2/96, Canberra.

RIGGS, L. (2000), "The Job Network: its Introduction, the Services Provided and Referral Arrangements", background document prepared for the OECD Conference on Labour Market Policies and the Public Employment Service, Prague, 3-4 July 2000.

VANSTONE, A. (1996), *Reforming Employment Assistance: Helping Australians into Real Jobs*, 1996-97 Budget Statement by Senator the Honourable Amanda Vanstone, Minister for Employment, Education, Training and Youth Affairs, 20 August 1996.

LABOUR MARKET POLICIES AND EMPLOYMENT SERVICES IN CANADA: A NEW COLLABORATIVE APPROACH

Employment Programs Branch
Human Resources Development Canada

1. Introduction

During the 1990s, the Government of Canada embarked upon an extensive reform of employment services and labour market policy. This paper discusses the nature of the reform, focusing on the transfer of responsibility for programme design and delivery from the federal government to the provinces and territories, and explains how the process worked out in practice. It also examines the opportunities and challenges that were encountered along the way and that are anticipated in the years ahead. A discussion of the lessons learned to date from Canada's fundamental restructuring of the employment service and overhaul of active measures concludes the paper.

2. The Canadian context

Canada's employment services and labour market policies have always been required to take account of the size and diversity of Canada and to respond to its changing economic and labour market opportunities. They have also been shaped, particularly in recent years, by the federal structure of the nation and the realities of fiscal restraint.

Economy and the labour market

While most of Canada's 30 million people are now concentrated in a relatively few urban centres in the south,[1] a significant number live and work in small communities and remote areas, including those in the north. In response to local conditions and the natural environment, strongly differentiated labour markets have arisen across the nation. Manufacturing, finance and high technology are concentrated in the south-central part of the nation, while agriculture and, to a lesser extent, resource extraction (oil, gas and related industries) dominate in the western provinces. The coastal and Arctic regions have tended to specialise in resource extraction (mining and fishing), with forest products being particularly important on the Pacific coast.

In recent decades, technological change and globalisation have brought about a transformation of the economy and of regional labour markets. The services sector has expanded rapidly, telecommunications and related activities have increased and resource extraction has decreased as a proportion of total activity. Associated with the restructuring of the labour market has been a growth in self-employment, from 10.9% of the paid labour force in 1976, to 17.2% in 1998. Part-time work has increased, while work locations have become more dispersed and telecommuting has become a factor. The proportion of working-age women participating in the paid labour force increased from 50% to 68.7% over the same period.

The overall unemployment rate has fluctuated in recent years from a high of nearly 12% in 1992 to 6.8% in January 2000. Regional rates currently range from under 6% in Alberta, Saskatchewan and Ontario to 17% in Newfoundland. The rate for youth is typically about twice that for adults 25 and over, while Aboriginal Canadians generally face considerably higher rates of unemployment. Thus the economic and labour market context for employment services in Canada varies a great deal geographically, from one group to another and over time.

Moreover, Canada is a culturally diverse nation with a constitution that explicitly recognises its linguistic duality and multicultural character. While most Canadians use English, there are over six million Francophones, 86% of whom reside in the province of Quebec. Persons with German (2.8 million), Italian (1.2 million), Ukrainian (1.0 million) and Chinese (900 000) roots are the next largest groups in Canada.[2] Individuals of Aboriginal descent represent nearly 3.5% of the population (1.1 million) overall but make up a significantly higher proportion in the western and northern regions of the nation.

Each year during the 1990s an average of nearly 200 000 persons immigrated to Canada. These immigrants, over half of whom come from China and other Asian countries, tend to settle primarily in the large urban areas, notably Toronto, Montreal and Vancouver. Historically, Canadian immigration policy has been utilised to address skills shortages and inadequacies in the labour force (Meltz, 1990; Beaujot, 1991).[3] Recently, the role of immigration in labour market policy has decreased, although governments do control the number and qualifications of immigrants in response to economic conditions and labour market demands (Veugelers and Klassen, 1994).

Government and the labour market

The evolution of employment services and active labour market measures has also been very much influenced by Canada's federal structure. Governmental powers and responsibilities are divided between the federal government and the ten provinces (and three northern territories).[4] Federal powers relate primarily to economic and financial policy, international affairs, defence, immigration, criminal law, etc., while provincial powers relate primarily to education, health, social assistance, and municipal institutions.

Notwithstanding the constitutional division of responsibilities, there are various national regimes, such as for public health and pensions, that have long involved both levels of government working together. Furthermore, the federal government makes significant financial transfers to the provinces for health, social assistance and post-secondary education programmes. Historically, federal funds flowed to the provinces through three separate mechanisms, namely for health, post-secondary education and social assistance. In 1995, the federal government collapsed these discrete transfers to create the new Canada Health and Social Transfer (CHST). This new transfer allows provinces to determine their own levels of expenditure in health, post-secondary education and social assistance, while also permitting provinces to pursue their own innovative approaches to social security reform.

Training and active labour market policy have historically been treated as a joint federal-provincial responsibility. Income support for unemployed individuals has been provided by the federal government from contributions made by employers and workers to the national Employment Insurance fund (formerly known as the Unemployment Insurance fund). Active labour market measures have also been provided by the federal government from this fund, as well as from general tax revenues.

Provincial governments, on the other hand, have provided income support – social assistance – for those not eligible for Employment Insurance (in part using funds transferred for this purpose from the federal government). The provinces have also provided active labour market measures for their clients, although until the 1980s such measures were not very extensive.

Both orders of government, especially the federal, have offered special employment and training-related services to particular groups, notably recent immigrants, women, youth, persons with disabilities, visible minorities, older workers, and Aboriginal Canadians.[5]

The national employment service in Canada has long provided services through federal and provincial (and often municipal) governments working together. In addition to local government offices, contract agencies including government-funded technical colleges and schools, private vocational institutes, non-profit community groups, labour groups, employers and other organisations have all played essential roles in the provision of employment-related services.

As discussed later in this paper, the evolving nature of the Canadian federation, and a recognition that services can often be delivered more effectively through decentralised arrangements, were among the factors leading to major changes in responsibilities for delivery of employment-related services in the second half of the 1990s.

Fiscal restraint

Like governments in many other Western nations, both federal and provincial governments in Canada have in recent decades faced significant fiscal challenges resulting from spending patterns that exceeded revenue flows. The federal government, for example, ran a deficit in every year from 1970-71 to 1996-97, while in the years from 1991 to 1994 all ten provinces also operated in deficit situations.[6] To overcome this problem, all governments undertook significant reforms to reduce expenditures, particularly during the 1990s. These resulted in balanced budgets or operating surpluses in nearly all jurisdictions by 1999. To achieve this objective, substantial restructuring of government activities was required; this had important implications for all programmes, including major social and labour market measures such as income support and employment services.

3. Employment services and labour market measures

The evolution of employment services and labour market programmes in Canada can be seen in two main phases. During a long period of development and expansion through most of the 20th century, the federal government played the lead role in creating and managing what eventually became national labour market programmes and a Canada-wide network of employment offices. In the mid-1990s, however, this system began to be replaced by a much more collaborative approach to federal-provincial relations, under which much of the control and responsibility for employment services and labour market measures was made available to provinces.

Development and expansion

Beginning soon after the end of the First Word War, a network of employment offices was created across most of Canada. These offices were generally operated by provinces but partially funded by the federal government. Their role was primarily one of labour exchange: finding workers for jobs, and jobs for workers. During these years, and particularly during the depression of the 1930s, the federal government also subsidised the provision of vocational and technical education by the provinces, as well as other training initiatives. The federal government undertook large-scale employment creation schemes via public works projects, sometimes in concert with municipalities and provinces (Hunter, 1993).

In 1940, Canada's constitution was amended to permit the federal government to implement an unemployment insurance programme and a national employment service. The result was an insurance scheme financed primarily by employers and workers, and a system of federal offices throughout the

nation providing not only income support to the unemployed but also labour market services (Hunter, 1993).

The categories of clients served by the national employment offices were expanded substantially in the 1950s and subsequent decades to include not only those eligible for benefits but also groups facing particular labour market barriers. These included recent immigrants, people of Aboriginal descent, visible minorities, persons with disabilities, women, older workers and youth.[7] The services provided for these clients were funded from general tax revenues but delivered by the same field offices that served those eligible for unemployment insurance benefits.[8] By the mid-1980s the federal government, through its human resources development department, had a network of 500 field offices across the nation providing employment-related services.

The role of the provinces in Canada's employment service had two features. First, the federal government purchased most of the training and related services for federal clients from provincial training and educational institutions. Second, the provinces had responsibility for providing longer-term income support (social assistance) for individuals who were not in the labour market or who had exhausted their insurance benefits. Many of those in this group were single parents, persons with disabilities and others with severe labour market barriers or in some other way not immediately employable (*e.g.* refugee claimants). Originally, provincial income support programmes had only a very limited active labour market component, but this began to change in the 1980s.

Rethinking the approach

The development of Canada's long-standing approach to employment-related services continued into the mid-1990s. However, significant pressures for change began back in the 1980s, when both federal and provincial policy-makers became increasingly concerned about labour market adjustment policy as a result of several factors, particularly:

- Rising unemployment rates, especially among youth.
- The increasing globalisation of the economy (reflected in the U.S.-Canada free trade agreement later that decade) and consequent restructuring of the labour market.
- Pressures to target spending and improve results in response to rising costs of social assistance and fiscal constraints that were becoming increasingly severe.

Accordingly, federal and provincial governments began seeking new and better ways to help people find jobs and employers find workers, and undertook a number of key initiatives.

Provincial measures

In the mid-1980s, provinces began to enhance the active measures offered to individuals on longer-term income support to help them enter or re-enter the labour force. This policy direction was largely the result of significant increases in caseloads and pressures to control provincial expenditures on social assistance.[9] Some provinces created their own networks of employment offices, while other provinces enhanced the employment services offered through existing income support offices, which had tended to be focused solely on determining eligibility for social assistance. Provinces also began to establish more programmes to serve groups disadvantaged in the labour market, especially youth.

Some provinces also suggested that active labour market policy could be made more efficient and effective, and duplication could be eliminated, if decision-making were to be located closer to the local level. In particular, Quebec had contended since the 1960s that its social and economic development were closely linked and that adequate integration and co-ordination was impossible if the federal government controlled labour market policy. Although constitutional solutions to the various demands by provinces for a greater role in active labour market development activities were sought during the 1980s and early 1990s, no resolution was attained.

Federal policy shifts

At the federal level several policy shifts occurred during the 1980s. In keeping with a shift to more targeted government intervention, the federal government began to phase out job-creation programmes in favour of on-the-job training programmes. This policy direction was supported by evaluation studies that showed that job creation projects generally produced few lasting benefits for trainees, in terms of permanent employment. On the other hand, on-the-job training with wage subsidies generally produced positive effects on both employment and earnings of trainees and was particularly successful in assisting long-term unemployed men and women to re-enter the labour force.

The federal government also began to promote an increased role for business and labour in labour market adjustment policies. For example, at the conclusion of the decade the federal government began to fashion a national business and labour advisory board on training issues modelled after similar arrangements in some European countries. Moreover, the federal government encouraged many provinces to establish similar boards to complement the national body (Sharpe and Haddow, 1997).

The boards represented a degree of decentralisation in that they effectively transferred some responsibility for active labour market policy from governments to business, labour and other groups (Courchene, 1994). These boards sought to allow labour market partners to jointly develop active labour market policy; and, in some provinces – specifically, Ontario and Quebec – to direct the delivery of provincial programmes. At the same time, the federal government also began to emphasise sectoral training initiatives. These were designed to aid employers and workers in specific industries (for example, the steel industry) to co-operate in identifying and addressing the training and labour market adjustment needs for that sector. The federal government supported such initiatives through the provision of labour market information and some funds for specific training-related activities.

In the mid-1980s, the federal employment service was restructured to allow it to better respond to local needs and conditions. First, the delivery structure was reorganised and streamlined, giving local managers of federal offices increasing autonomy in deciding the programme mix for their areas. Local federal offices were provided with a global budget and instructions on how to allocate it between different client groups, but had considerable freedom to shift resources between one type of intervention and another. This represented a significant degree of decentralisation but without a management role for the provinces or other labour market partners.

Furthermore, federal-provincial agreements were reached to allow federal programmes to serve small numbers of individuals in receipt of provincial income support.[10] As well, in some provinces, experiments commenced on co-locating federal and provincial income support and employment offices so that clients could be served at one location regardless of what programme interventions were required. These initiatives were important because they allowed federal and provincial officials to have formal and informal contacts on a regular basis through which they could work together on issues such as information sharing.

4. A new approach

During the mid-1990s the federal government embarked upon a fundamental reform of its income support and labour market policies. The reforms commenced with a wide ranging programme review of social security policies in response to the need to reduce expenditures. At the core of the labour market reforms was the introduction of a new Employment Insurance (EI) programme. This in turn led to the proposal for federal-provincial Labour Market Development Agreements (LMDAs), which represented a whole new phase in the provision of labour market measures and employment services.

Employment Insurance

The new EI programme, and the active measures associated with it, were contained in legislation introduced in 1995 and adopted in 1996. The modifications related to active measures had five major objectives.

- To broaden the range of clients eligible for active measures. These would include not only active employment insurance claimants but also so-called "reach-back" clients – individuals without an active employment insurance claim now but who have had one within the past three years or, for parental or maternity benefits, within the past five years.

- To increase expenditures for active measures. This was achieved by reinvesting some of the savings from expenditures on income support payments into active measures. The savings are the difference between the maximum entitlement of employment insurance claimants and the actual payout of such benefits.[11]

- To ensure that active measures generate "economic returns" by aiding clients to become employed as quickly as possible. In this regard, the new legislation underscored that the success of interventions is to be determined by two, inter-related, measures: *i)* the number of persons receiving employment benefits and support who are successfully re-employed; and *ii)* the savings to the Employment Insurance account (measured in the manner outlined above). This represented the first time that an accountability-for-results framework for active measures had been enshrined in legislation.

- To ensure that programme decisions be made at the local level. In this regard, the legislation also stated that Employment Benefits and Support Measures should be established in co-operation and partnership with the provinces, employers, community-based organisations and other interested organisations.

- To increase the flexibility of programme interventions and ensure they are responsive to labour market conditions.

In this regard, the legislation specified five broad kinds of active measures that can be provided to employment insurance clients:

- Targeted wage subsidies to provide employers with funds for a specific period of time to hire employment insurance claimants.

- Targeted earnings supplements to enable employment insurance claimants to accept low-wage jobs.

- Financial assistance and business planning advice to claimants who are creating their own jobs.

- Job creation partnerships to provide work experience and employment opportunities for claimants.

- Phasing out of federal government purchase of seats in training courses, replacing this with skills development support.

This last measure was enacted to ensure that clients could obtain the skills training they required rather than having such decisions influenced by the availability of spaces in pre-purchased training programmes. Individual clients now make their own arrangements for training following the completion of an approved return-to-work action plan. These clients can purchase training from institutions such as technical colleges by paying the same tuition fees as those charged to students who are not supported by skills development support.

A new federal-provincial partnership

In late 1995, the Prime Minister committed the federal government to withdraw from labour market training for employment insurance recipients. This commitment prompted federal-provincial discussions leading to a proposal by the federal government in May 1996 to transfer responsibility for the design and delivery of active measures for employment insurance claimants to interested provinces. Although the 1996 legislation required that the federal government work in partnership with the provinces, the nature of that partnership was based on a collaborative federalism that marked the beginning of a new approach to Canada's national employment service.

The strategic directions imbedded in the new legislation concerning active measures were generally in keeping with several of the recommendations flowing from the *OECD Jobs Study* (1994). With regard to Canadian active measures, the Jobs Study called for provinces to be given more responsibility allowing for greater responsiveness to local conditions (OECD, 1994, 1996). The policy directions inherent in the policy reforms of the 1990s also reflected trends evident across initiatives by many Western governments: a focus on programme outcomes or results rather than on process; new models of service delivery, including devolution to local agencies; and an emphasis on partnerships.

In summary, the reforms of the mid-1990s were a significant shift toward increasing the emphasis on active measures and represent the culmination of three developments:

- A fundamental overhaul and re-design of active measures themselves, particularly away from the purchase of training which had proved to be an inefficient and ineffective delivery mechanism.

- A fundamental shift in the administration of those active measures to a partnership approach offering the provinces greater responsibility in the design and delivery of active measures tailored to local needs and situations.

- A response to pressures from provinces, especially Quebec, which had long demanded that they be given full responsibility for active measures on the basis of jurisdictional as well as efficiency/effectiveness arguments.

The Labour Market Development Agreements

The core of the federal proposal in May 1996 to transfer responsibilities to the provinces was two-fold. First, interested provinces could deliver active measures for employment insurance clients, including employment benefits such as wage subsidies to employers, income supplements, support for self-employment, partnerships for job creation, and support for individuals to obtain training. In other words, provinces could deliver the active measures that were specified in the new federal legislation. In total, approximately CAD 1.5 billion was available to be transferred to provinces for these measures in 1996.[12]

Second, provinces could also acquire federal staff and resources in order to screen clients and provide employment counselling and placement services. Although the agreements were to be administrative in nature, rather than constitutional, they had the potential to clarify federal and provincial responsibilities in the labour market sector and at the same time increase programme efficiency.

Federal authority

The proposal for provinces to enter into negotiations for Labour Market Development Agreements, and the agreements that were subsequently signed, required that the active measures that provinces would deliver be similar to the five types of measures specified in the federal legislation. As well, the federal government reserved the right to decide funding levels and client eligibility.

With respect to client eligibility, the existing network of local federal offices would continue to determine the eligibility for employment insurance assistance. Eligible clients would then be provided with active measures by provincial staff and programmes.

Furthermore the federal government also retained three components of labour market policy.

- National labour market information exchange. This enables it to maintain and improve the national system of labour market information and labour market exchange to, among other objectives, support the interprovincial mobility of labour.

- Pan-Canadian activities to be funded from the Employment Insurance fund. These activities total about CAD 250 million annually and are undertaken in response to special labour market problems or situations that affect either Canada as a whole or a significant area of the country.

- Active labour market measures for non-employment insurance clients. These would include youth, persons with disabilities, Aboriginal Canadians, older workers, and recent immigrants.

Finally, the federal government retained sole responsibility for managing the Employment Insurance fund and delivering income benefits. The latter totalled CAD 10 billion for 1.8 million claims in 1997-98.

Notwithstanding the federal levers, the magnitude of the offer to transfer responsibility was significant, as illustrated in Table 1. The negotiation of agreements between the federal government and provinces (whose objectives were quite diverse) raised some difficult issues requiring innovative solutions. For instance, in order to encourage the first provinces to sign agreements, an “equality of treatment clause” was inserted to the effect that if another province negotiated more favourable provisions, these would also apply to provinces that already had signed agreements.

Table 1. **Resources available for transfer, 1996**[a]

Province/Territory	Funds (CAD million)	Staff positions
Newfoundland	85.8	177
Nova Scotia	62.6	196
New Brunswick	66.4	170
Prince Edward Island	17.8	49
Quebec	457.3	1 084
Ontario	450.5	1 007
Manitoba	46.3	118
Saskatchewan	33.5	114
Alberta	97.6	204
British Columbia	205.9	470
Yukon	2.7	7
Northwest Territories	3.6	24
TOTAL	**1530.0**	**3 620**

a. Excluding administrative costs of approximately CAD 190 million.

The offer to transfer thousands of federal public servants to the provinces was an extraordinary event in Canadian history requiring that a range of human resources issues – including collective agreements, wage differentials between provincial and federal workers, timing, and so forth – be resolved in bilateral negotiations.

Full-transfer and co-management models

The negotiation of many of the Labour Market Development Agreements proceeded smoothly so that the first agreements were signed only six months after the federal offer. The first transfer of resources occurred less than one year later. However, not all provinces were interested in assuming responsibility for designing and delivering active employment measures and obtaining federal staff. Consequently, two quite distinct types of agreements emerged: full-transfer and co-management.

The full-transfer model involves provinces assuming responsibility for employment benefits and support measures within the federal funding and client eligibility constraints. Typically, but not exclusively, this type of agreement has been reached with the larger provinces or those that have had more experience in designing and managing active labour market programmes. Full-transfer arrangements are currently in effect in five provinces and two territories, comprising about 43.5% of Canada's population.

Under the co-management model, on the other hand, there is no transfer of resources (either funds or staff) to the provinces, but rather a process of joint management of policy and programme design and implementation is established. In other words, under this model the provinces play a significant role in planning and policy development but the responsibility for actual delivery of programmes is left to the federal officials and the local organisations with whom they sign contracts.

Generally the provinces that have chosen the co-management model are the smaller ones that have historically been the net beneficiaries of federalism and have had a tradition of working closely with the federal level of government. These provinces also tend to believe that it is advantageous to have federal field delivery staff in their jurisdictions that understand the unique characteristics of the local labour market. The joint management model is currently in operation in four provinces and one territory, representing approximately 18.6% of Canada's population.

The emergence of distinct full-transfer and co-management models means that the delivery of the national employment service and labour market programmes in Canada is not uniform. Table 2 shows the degree of this so-called "asymmetry" by illustrating the resources, both funds and staff, that have been transferred to each of the provinces and territories.

Table 2. **Funds and staff transferred to the provinces, 1997-2000**

Province/ Territory	Funds transferred (CAD millions)				Staff positions transferred	
	1997/98	1998/99	1999/00	2000/01	Projected	Actual
Newfoundland	-	-	-	-	177	-
Nova Scotia	-	-	-	-	196-	-
New Brunswick	66.4	78.0	84.0	90.0	170	124
Prince Edward Island	-	-	-	-	49	-
Quebec	457.3	527.6	561.1	594.4	1 084	1 022
Ontario	-	No agreemt	-	-	1 007	-
Manitoba	46.3	48.7	49.4	49.9	120	118
Saskatchewan	33.5	36.1	37.1	38.5	114	97
Alberta	97.5	106.5	109.2	112.7	204	156
British Columbia[a]	-	-	-	-	470	-
Yukon	-	-	-	-	7	-
Northwest Territories	3.5	4.4	4.8	3.3	24	24
Nunavut				2.0		
TOTAL	704.5	801.3	845.6	890.8	3 627	1 541

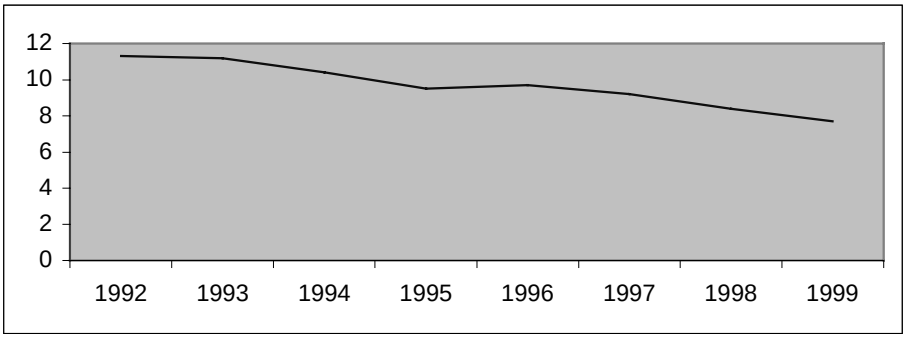
a. Negotiations are under way for a transfer of funds and staff.

Ontario, which accounts for nearly 38% of the Canadian population, has not yet signed an agreement, though a great deal of work has been done to prepare for a full-transfer agreement. Meanwhile, British Columbia has begun negotiations to alter its agreement from co-management to full-transfer. Furthermore, in the original round of negotiations, one province negotiated an agreement-in-principle prior to signing a full-transfer agreement.

This variety of approaches and outcomes shows that agreements take some time to develop and that the process is not always linear. Each province and territory had its own political agenda, objectives and prior experience with labour market programmes, as well as its own particular labour market conditions. While there has been some variation in the time taken for provinces to sign and implement agreements, overall the agreements signed to-date were reached relatively quickly and with little controversy or disruption of service to clients.

There were several reasons for the smooth manner in which implementation of the agreements has proceeded. First, several provinces had long sought to take responsibility for this policy field and thus had a vested interest in demonstrating that they could effectively manage active labour market policy. Second, decreasing unemployment rates in Canada during the mid- and late-1990s, illustrated in Figure 1, meant that pressures on active measures were declining making this an ideal time in which to transfer responsibilities. Third, programme design and delivery responsibilities had been evolving during the previous decade with the increasing autonomy of federal field offices and the escalating role of the provinces in active labour market measures.

Figure 1. **Canadian unemployment rate, 1992-99**
Percentage



Source: OECD, Economic Outlook and Main Economic Indicators (various years).

A further factor was that previous attempts had been made to transfer responsibilities via constitutional agreements; hence the federal offer of 1996 was not a surprise to any of the affected groups (clients, staff, employers or other stakeholders). In other words, the transfer of responsibility to the provinces was the logical conclusion of a process, and policy direction, that had been under way for some time.

Finally, a fifth factor contributing to the success of the process was that the federal government had clear policy objectives which it was seeking to implement in the Labour Market Development Agreements. Those objectives, and the manner in which they were incorporated in the agreements, are analysed next.

Federal requirements

Although the agreements gave provinces wide latitude with regard to the programmes they might design with federal funds, the federal proposal required provinces to meet seven policy objectives set out in its 1996 legislative reform of the Employment Insurance programme. These objectives require that active measures must:

- Be results based.
- Incorporate an evaluation of outcomes.
- Promote co-operation and partnership with labour market partners.
- Involve local-decision making.
- Eliminate unnecessary overlap and duplication.
- Encourage individuals to take personal responsibility for finding employment.
- Ensure service to the public in either official language, where there is significant demand.

Additionally, the agreements require that provincial measures must be broadly similar in nature to those specified in the legislation.

Given these federal objectives, the agreements negotiated contain mechanisms to ensure that the objectives are met, regardless of whether an agreement is full-transfer or co-management.

For full-transfer provinces, clauses have been negotiated in the agreements that, for example, commit provincial governments to ensure levels of service in both English and French comparable to those which would be provided by the federal level. As well, the agreements specify issues related to the transfer of human resources, such as job security guarantees for federal employees transferred to the provinces.

All agreements (whether full-transfer or co-management) contain annual numerical targets for clients served and savings generated to the Employment Insurance account. These targets ensure that provincial active measures are results-based in that they reduce the dependency of individuals on government assistance.

Each agreement also includes an accountability framework composed, at the minimum, of mechanisms for senior federal and provincial officials to establish annual targets for clients served and savings generated. The framework also addresses other issues, such as evaluation of the impact of active labour market programmes. Full-transfer provinces are required to submit annual audited financial statements on expenditures, as well as more frequent reports on the three primary indicators (clients served, number of clients returned to work and savings generated).

5. Outcomes

Although the transfer of programme design and delivery is recent, it is already possible to identify improvements that have resulted from the new regime, as well as inherent challenges. With regard to improvements, the increase in the level of collaboration between governments and their attendant benefits is particularly notable, as is a stronger linkage between local conditions and labour market programmes. The major challenges of the new national employment service relate to each level of government coming to terms with its new role. In this regard, three dimensions are proving demanding: roles and responsibilities, accountability, and joint policy development.

Improvements

Heightened collaboration

Since the federal offer in 1996, and the subsequent process of negotiating the agreements, including details such as staff transfers and information sharing, there has been a significant rise in collaboration between the levels of government. This increase in federal-provincial co-operation has occurred as much in the co-management provinces as in those that have opted for full-transfer. It is found at all levels, from the Forum of Labour Market Ministers to the front-line delivery staff.

The increased collaboration can be expected to continue not only because of the on-going relationship inherent in managing the labour market agreements, but also because in many cases federal and provincial offices are being co-located to provide a full range of services to clients. This had been difficult to achieve under the previous regime, partly because of legislative and regulatory barriers, but also because each level of government wanted to retain a high degree of visibility for its services.

A variety of co-location models have emerged for employment offices. In some full-transfer jurisdictions, offices provide employment measures to both employment insurance claimants and provincial social security recipients. In some co-management jurisdictions, co-located offices offer income support and employment support to employment insurance recipients as well as employment support to social security clients. Over time, provinces will likely further rationalise their delivery structures and more ambitious models may become more common, such as offices that can serve all the needs of both employment insurance and social assistance clients for income support and employment services.

From the service delivery perspective, co-location of employment services for employment insurance claimants and income security recipients poses particular challenges. These two client groups differ, often dramatically, in the degree to which they are job-ready, since many income security recipients have been unemployed for a long period of time and/or have unique needs.

There are, however, major benefits to be obtained from co-location, such as a more systematic and comprehensive monitoring of clients who shift between federal and provincial income support and (in co-management provinces) employment programmes. Moreover, co-location also fosters an informal co-operative culture at the local level. For clients, co-location may be the most visible example of collaborative federalism.

Collaboration will also improve services to clients, since there are now mechanisms for joint planning and evaluation. For example, in each province there are standing federal-provincial committees responsible for the implementation and administration of the agreements, while in each co-management province there is a permanent federal-provincial committee charged with programme development and implementation. The degree of collaboration is not identical in all jurisdictions, so that generally those provinces that have historically worked closely with the federal government continue to do so, while others continue their somewhat more independent approach.

Harmonization and flexibility

The second enhancement that has become apparent is that active labour market policy is now better harmonised within each province than had previously been the case because programmes and policies are better integrated. The results from recent evaluations of the federal-provincial agreements show the creation of economies of scale and other efficiencies with, in a number of cases, reduced duplication of programmes and services.

Services to clients appear to be more responsive to local economic conditions under the new arrangements, as might be expected when provinces have greater authority for decision-making. The evaluations of the agreements indicate that the employment support and benefit measures are sufficiently flexible to be adapted to local needs and that increased flexibility has, in some cases, been translated into higher quality service and greater programme relevance. Also, in keeping with declining unemployment rates (see Figure 1), there was a decrease between 1995/96 and 1998/99 in the percentage of expenditures on long-term interventions and a concomitant increase in short-term expenditures (HRDC, 1999, 2000).

Challenges

Roles and responsibilities

The collaborative federalism which Canada is pursuing in the field of employment services and active labour market policies presents a number of specific challenges, both short-term and longer term. First among these is simply the challenge of learning to work together under the new arrangements.

In the short term, especially in the full-transfer provinces, each level of government has had to review its roles and responsibilities. To prepare for the transfer of responsibilities, given the scale of resources to be transferred, major reorganisations of government structure were required by several provinces. Generally, the federal staff to be transferred significantly outnumbered existing provincial staff. For example, in Manitoba, 116 federal staff positions were absorbed by a provincial department of approximately 70; while in Ontario, plans call for a transfer of about 1 000 positions in Human Resources

Development Canada (HRDC) to a department with fewer than 500 provincial staff employed in active labour market related functions.

Provinces with full-transfer agreements were faced not only with new responsibilities and resources, but also with the need to sort out their own active labour market policies, often fragmented across several departments or portfolios. For instance, the Alberta labour market and social assistance departments were combined following the federal transfer of active labour market policy and employment services (OECD, 1998, pp. 79-80). Finally, provinces generally found a need to enhance their capacity for strategic policy work, including forecasting, programme and policy design and evaluation, since staff associated with these functions were not transferred from the federal level.

Not only did many provinces have to refocus their new mandates, but so also did the federal department of Human Resources Development. Despite the devolution of significant areas of decision-making, the federal role in labour market policy has become more, rather than less, complex and is still in a state of evolution. The department is currently faced with two quite different types of agreement – full transfer and co-management – plus a situation in which an agreement is still being negotiated with Ontario and renegotiated with British Columbia.

Consequently, the role of the federal government now varies from region to region to a greater degree than it did in the past. For example, in most of the co-management jurisdictions, provincial officials continue to work closely with the regional federal officials on policy and operational issues. On the other hand, in the full-transfer jurisdictions, provinces are more likely to deal directly with federal officials at the national headquarters.

Not only has the federal relationship with the provinces changed, but so have relationships between the federal government and citizens. Even at this stage, staff positions transferred to the provinces represent a considerable portion of departmental personnel in local offices. Hence the number of federal officials based in communities across the nation has shrunk significantly, and will continue to do so as more provinces negotiate full-transfer agreements.

The federal government continues to provide labour market information, pan-Canadian policy and programming, and active labour market services for recent immigrants, persons with disabilities, Aboriginal Canadians, older workers, and youth. The federal government also continues to play important roles in labour market policy broadly defined, including community-capacity building and facilitating community adjustment. Many provinces also provide some employment-related services in these areas, and efforts are now being made to work collaboratively on issues such as youth at risk of unemployment.

Accountability

The second major challenge of the transfer of responsibilities to the provinces was to design an effective and mutually-acceptable accountability framework. The federal Minister of Human Resources Development, under whose authority the employment insurance programme operates, remains accountable to Parliament for expenditures and results. Yet the purpose of the new agreements is to ensure the autonomy of the provinces to deliver programmes and make decisions. The framework must reconcile these seemingly contradictory requirements.

A second function of the accountability framework is to ensure that there is a strong evaluation component in the agreements so that the effectiveness of active labour market programmes is regularly assessed. In this regard, given the growing diversity of programmes and local labour market conditions, it is a complex task to demonstrate linkages between programme interventions, changes in unemployment rates and a reduction in numbers of employment insurance recipients. The accountability framework for each agreement generally requires an evaluation after one year and then regularly every three years.

The third major function of the accountability framework is to ensure that the programmes delivered by the provinces (and by federal officials in co-management jurisdictions) are results-based. Accordingly, it sets numerical targets for three indicators:

- Number of employment insurance clients served.
- Number of clients returned to work.
- Savings to the Employment Insurance account.

Some of the implications of the accountability framework, such as what might occur when the numerical targets are not met, are discussed in the final section of this paper.

Joint policy development

The third challenge inherent in collaborative federalism is to ensure adequate mechanisms for joint federal-provincial policy development in the area of active labour market measures. Without such co-ordination, active labour market policies could become balkanized and the national employment service system fragmented.[13]

One result of the transfer of responsibilities has been a strengthening of the federal-provincial Forum of Labour Market Ministers. Although the Forum has existed since the early 1980s, its role in promoting inter-jurisdictional co-operation and leadership in labour policy matters has grown in the past several years. The work of the Forum, which is currently focussed on promoting labour mobility and interjurisdictional co-operation, is carried out at the ministerial, deputy ministerial, senior official and working official levels.

To date, the Forum of Labour Market Ministers has primarily enabled information to be shared and issues to be discussed. This function is crucial. As provinces begin to experiment with different approaches to delivering services, disseminating the results to all jurisdictions will be critical. It remains to be seen what role the Forum may play in the development of strategic policy.

Policy co-ordination will be particularly important in employment services for non-employment insurance clients, especially youth, but also for persons with disabilities, Aboriginal Canadians and older workers. For these clients, both the provinces and the federal government provide services. Consequently the two levels of government need to collaborate to avoid duplication and overlap of services. Currently there are joint federal-provincial pilot projects under way for youth at risk and for older workers. As well, both levels of government generate labour market analysis and provide labour market information, a further area where co-operation is needed.

6. Lessons learned

Transferring responsibility

The Canadian experience of the past decade has provided some important lessons on how to transfer responsibility for active measures between orders of government.

The first is that “asymmetrical” transfers of authority are possible and can be effective in addressing both policy and political goals. By offering provincial governments the option to select the degree of responsibility they wish to acquire, the federal government recognises that they may be pursuing different policy agendas as they face their own labour market challenges. At the same time the approach

taken has allowed the federal government to retain a national strategic policy capacity and to implement a strong accountability framework.

Second, it would appear that the transfer of responsibilities using negotiated inter-governmental agreements has succeeded in part because of timing. The process of transferring authority that had been underway for at least a decade prepared the way for the agreements. As well, the gradual shift of authority minimised disruption in service to clients and other stakeholders. Moreover, the process was aided by favourable economic conditions, especially the decreasing unemployment rate, which provided a positive environment in which to develop new roles and responsibilities.

Third, the experience shows that the achievement of national objectives need not necessarily be impeded by the transfer of responsibilities to the provinces. Although the federal-provincial agreements have reduced federal scope in active labour market policy, important policy levers remain with the federal government. These include eligibility criteria for EI clients, total funds to be spent, and the accountability and evaluation framework. Furthermore, co-ordination of policies is possible through mechanisms such as the federal-provincial Forum of Labour Market Ministers. However, as discussed later in this paper, it is only in the long term that a definitive judgement will be possible on this matter.

Fourth, experimentation and greater diversity in the national employment service and labour market policies are consistent with the evolution occurring over the past decade. For instance, the new employment service in some jurisdictions involves a higher degree of (provincial) centralisation than in others, and the programme mix varies from province to province. At the same time, there are important features that remain constant across the country, such as results-based programmes and client eligibility.

Fifth, the process of shifting authority resulted in few disruptions because it was accompanied by a clear policy framework related to active measures. The 1996 legislative reforms of the Employment Insurance programme led to active measures that were explicitly geared towards the quickest possible re-employment of claimants. Consequently, subsequent discussions on the transfer to provinces could focus on implementation rather than policy issues. Moreover, the policy framework provided a certainty on roles and responsibilities that helped greatly in the negotiation and implementation of the agreements.

Future challenges

Although the recent changes to Canada's national employment service show signs of having been successful, it is too early to draw definitive long-term conclusions. With regard to future implications of the transfer of authority, several issues stand out.

Role of stakeholders

The first challenge is to ensure an adequate role for stakeholders in setting strategic and operational policy. By focussing on relations between governments, collaborative federalism can sometimes make it difficult for citizens and stakeholders to become fully engaged in the policy process (Courchene, 1994). The recent evaluation of the agreements found that although partnerships between governments have been strengthened, community links have not. It may well be that so far both federal and provincial officials have been too preoccupied with ensuring a smooth shift of responsibilities to focus on engaging stakeholders. Hence, a challenge for both orders of government will be to strengthen links to community organisations and employers, for example, by involving them more in planning and decision-making.

Given the decentralisation inherent in the new arrangements, it will likely be easier to involve business and labour groups that are organised on a provincial basis. National organisations may now find it

more difficult to participate in labour market policy planning since they will need to establish linkages with many provincial governments rather than only with the federal department of Human Resources Development. In this regard, it should be noted that local groups can be expected to have more scope for input on operational policy since such policy has shifted (in full-transfer provinces) towards the provincial level.

Policy challenges

The second challenge relates to whether the decreased federal role under the new arrangements will be adequate to meet future labour market needs. Likewise, there is a question as to whether provinces, individually or together, will be able to deal with future demands related to policy and employment services. Ideally, the new collaborative arrangements will create a climate of co-operation in which federal and provincial authorities can work together on emerging needs, perhaps through the Forum of Labour Market Ministers and related groups of officials.

It is too early to make a complete determination of the utility of the accountability framework or to assess the initial findings. The first evaluations under the federal-provincial agreements have recently been conducted for most provinces. They are generally positive in pointing to increased levels of local flexibility, reduction of duplication, increased intra-governmental co-operation, and high levels of access by clients to services. However, these findings must be considered in the context of positive labour market conditions and an expanding economy.

The evaluations also raised the issue that the accountability framework stresses the employment of clients, rather than their employability. In other words, the short-term rate of employment is the indicator utilised to determine programme effectiveness. The reliance on quantitative targets means that other performance measures, such as serving those with multiple labour market barriers or ensuring long-term employment, may be receiving insufficient attention.[14]

Both the federal and provincial levels have recognised the limitation of this accountability measure and work is commencing to develop indicators of medium-term impacts on the employment patterns of individuals who have received interventions. As well, the more extensive evaluations (required under the federal-provincial agreements) will examine the longer-term outcomes.

Responding to higher unemployment

The new collaborative regime will face its toughest test during a period of rising unemployment rates. During such a period not only will the demand for active labour market services increase, but the ability of governments to expand programmes in response may be constrained by decreasing revenue flows (both from general tax revenues and from the Employment Insurance fund). Under the new arrangements, the burden of risk will fall more on provinces than on the federal government; provinces may have difficulty to meet agreed targets for clients returned to work while at the same time facing expanding social assistance expenditures. The current policies, which are focussed on facilitating a quick exit for clients from programmes into employment positions, may need to be reviewed given such circumstances.

In such an environment, policies and programmes may have to be quickly re-oriented and funding levels reviewed. For example, as macroeconomic conditions change, more funding may have to be allocated to longer-term (and more expensive) interventions. As well, the mix of longer-term interventions may have to be altered.

7. Conclusion

Canada's transfer of responsibility to the provinces over the past few years has so far, allowed both political and policy objectives to be achieved. The decision to negotiate federal-provincial Labour Market Development Agreements in the mid-1990s coincided with a shift toward greater local decision-making as a policy objective that had been pursued for some time previously. The resulting transfer of responsibility for active measures from the federal level to the provinces, along with the policy objectives that support it, could therefore be implemented relatively quickly in most of the nation with little disruption to clients.

The transfer has, it appears, strengthened Canada's national employment service by allowing programmes to be tailored to local conditions. The new arrangements have boosted inter-governmental co-operation and in many cases resulted in improved service to clients with the co-location of federal and provincial offices. Given that an effective national employment service and active labour market policy must respond to a complex and often rapidly changing environment, Canada's National Employment Services will continue to require careful monitoring and adjustment. The federal-provincial collaboration and the enhancement of local decision-making, which are inherent in Canada's approach will provide a solid foundation on which Canada can meet the labour market policy challenges of the 21st century.

NOTES

1. Nearly two-thirds of Canada's people live in the 25 largest Census Metropolitan areas (Statistics Canada).

2. Statistics cited relate to population by country of birth, from the 1996 census.

3. From 1966 to 1993, human resource development policy and immigration policy were combined in a single federal department.

4. The term "province" is used here to refer to both provinces and territories.

5. This paper reviews the national employment services for individuals eligible for income support from the employment insurance program. There are related initiatives with respect to Aboriginal Canadians (see Green, 1999), and targeted policy initiatives for persons with disabilities and youth. These developments are not discussed in this paper.

6. In 1991-94, the government deficit as a percentage of gross domestic product ranged around 5% for the federal government and 3% for the provincial governments (Swimmer, 2000).

7. The Adult Occupational Training Act of 1967 greatly expanded the availability of federally-funded measures for groups facing labour market barriers.

8. The merging of the Unemployment Insurance Commission with the Department of Manpower and Immigration in 1977 to form Employment and Immigration Canada was a key step in the consolidation of services for insurance clients with those for groups facing labour market barriers.

9. For instance, in Ontario the number of individuals classified as "employable" who were in receipt of social assistance increased five-fold to nearly 3.0% of the population between 1991 and 1994 (Klassen and Buchanan, 1997).

10. In some cases, such as with the provinces of New Brunswick and British Columbia, the discussions around the agreements resulted in major multi-year federal-provincial experiments to determine the effectiveness of earnings supplements and educational upgrading for those eligible for unemployment insurance (Lin *et al*., 1998; Bloom *et al*., 1997).

11. The new legislation also placed an annual cap of expenditures on active measures of 0.8% of the insurable earnings of all insured persons. In 1998-99 approximately USD 2 billion from the employment insurance fund was available for active programs.

12. The more descriptive term "transfer", rather than the more technically accurate term "contribution", is used to describe the flow of funds from the federal government to provincial governments for active labour market programs.

13. This was noted in OECD (1997, p. 88) which stated "Canada has been warned about the danger of fragmenting their PES system in the process of decentralising ALMPs".

14. This problem has been noted by the OECD: "When national (…) management objectives are expressed mainly in terms of quantitative targets for regional or local offices, distortions may arise. Objectives that are omitted from the list of formal targets, perhaps simply because performance is difficult to quantify accurately – *e.g.* help to the most disadvantaged (…) may increasingly be disregarded. Conversely, regions may direct resources towards measures that maximise measured performance (…) while adding relatively little (…)" (OECD, 1995, p. 112).

BIBLIOGRAPHY

BEAUJOT, R. (1991), *Population Change in Canada: The Challenges of Policy Adaptation*, McClelland and Stewart, Toronto.

BLOOM, H., B. FINK, S. LUI-GURR, W. BANCROFT and D. TATTRIE (1997), *Implementing the Earnings Supplement Project: A Test of a Re-employment Incentive*, Social Research and Demonstration Corporation, Ottawa.

COURCHENE, T. J. (1994), *Social Canada in the Millennium: Reform Imperatives and Restructuring Principles*, C.D. Howe Institute, Toronto.

GREEN, H. (1999), "Towards Self-Reliance of Aboriginal People in Canada: Empowerment in Labour Market Policy", in *Decentralising Employment Policy: New Trends and Challenges: The Venice Conference*, OECD, Paris, pp. 191-194.

HRDC (Human Resources Development Canada) (1999), *1998 Employment Insurance Monitoring and Assessment Report*, HRDC, Ottawa.

HRDC (2000), *1999 Employment Insurance Monitoring and Assessment Report*, HRDC, Ottawa.

HUNTER, J. (1993), *The Employment Challenge: Federal Employment Policies and Programs 1900-1990*, Government of Canada, Ottawa..

KLASSEN, T. and D. BUCHANAN (1997), "Getting It Backward? Economy and Welfare in Ontario 1985-1995", *Canadian Public Policy*, Vol. XXIII, No. 3, pp. 333-338.

LIN, W., P.K. ROBINS, D. CARD, K. HARKNETT and S. LUI-GURR (1998), *When Financial Incentives Encourage Work*, Social Research and Demonstration Corporation, Ottawa.

MELTZ, N. M. (1990), "The Evolution of Worker Training: The Canadian Experience", in *New Developments in Worker Training: A Legacy for the 1990's*, Industrial Relations Research Association Series, Industrial Relations Research Association, Madison, Wisconsin, pp. 283-307.

OECD (1994), *The OECD Jobs Study, Facts, Analysis, Strategies*, Paris.

OECD (1995), *Employment Outlook*, Paris, July.

OECD (1996), *Economic Survey of Canada*, Paris.

OECD (1997), *Implementing the OECD Jobs Strategy: Member Countries' Experience*, Paris.

OECD (1998), *Local Management for More Effective Employment Policy*, Paris.

SHARPE, A. and R. HADDOW (1997), *Social Partnerships for Training: Canada's Experiment with Labour Force Development Boards*, Centre for the Study of Living Standards, Ottawa.

SWIMMER, G. (ed.) (2000), *Public Sector Labour Relations in an Era of Restraint and Restructuring*, Oxford University Press.

VEUGELERS, J. W. P. and T. R. KLASSEN (1994), "Continuity and Change in Canada's Unemployment-Immigration Linkage", *Canadian Journal of Sociology*, No. 19 (3), pp. 351-369.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(81 2001 05 1 P) ISBN 92-64-18597-6 – No. 51559 2001