

Schömann, Klaus

Working Paper

Active labour market policy in the European Union

WZB Discussion Paper, No. FS I 95-201

Provided in Cooperation with:

WZB Berlin Social Science Center

Suggested Citation: Schömann, Klaus (1995) : Active labour market policy in the European Union, WZB Discussion Paper, No. FS I 95-201, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin

This Version is available at:

<https://hdl.handle.net/10419/43928>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

FS I 95-201

**Active Labour Market Policy in
the European Union**

Klaus Schömann*

Januar 1995
ISSN Nr. 1011-9523

* This report was prepared as a result of a number of meetings at the Commission of the European Communities between April and September 1994. Special thanks are due to Luis Fina Sanglas, Andrew Chapman, Jean-Francois Lebrun, Philippe Bouyoux and the participants from the interservice group of the White Paper Follow-Up within the Commission. Additionally, a group of experts accompanied the work and made useful suggestions among them Anders Björklund, Bernard Gazier, Tony Hubert, Günther Schmid, Roger Tarling and Luis Toharia. Anders Reutersward provided data from the OECD data base.

Das vorliegende Dokument ist die pdf-Version zu einem Discussion Paper des WZB. Obschon es inhaltlich identisch zur Druckversion ist, können unter Umständen Verschiebungen/Abweichungen im Bereich des Layouts auftreten (z.B. bei Zeilenumbrüchen, Schriftformaten und –größen u.ä.)

Diese Effekte sind softwarebedingt und entstehen bei der Erzeugung der pdf-Datei. Sie sollten daher, um allen Missverständnissen vorzubeugen, aus diesem Dokument in der folgenden Weise zitieren:

Schömann, Klaus: Active Labour Market Policy. Discussion Paper FS I 95-201
Berlin : Wissenschaftszentrum, Berlin, 1995.

URL: <http://bibliothek.wz-berlin.de/pdf/1995/i95-201.pdf>

gesichtet am: ...

Abstract

This report deals with Action 5 of the White Paper Follow-Up process and analyses feasible steps or improvements already undertaken by Member States and the Community at large to "make better use of public funds for combating unemployment". Public funds devoted to labour market policies play a vital role in achieving employment intensive growth. The White Paper on Growth, Competitiveness and Employment of the Commission of the European Communities proposes a full-scale overhaul of employment policies and a shift of the balance of public expenditure decisively in favour of active labour market policies.

Part one of the report approaches in a more analytical way the dynamics of active labour market policies in the Member States. On the basis of the concept of active versus passive expenditure the current balance and recent shifts in this balance are compared across European Union Member States. Along the line of OECD-definitions and data collection efforts of active and passive public expenditure a comparative assessment of overall public expenditure and selected subject areas is accomplished. Particular attention is devoted to (1) funds allocated to public employment services, (2) public expenditure devoted to the integration of the young and (3) the long-term unemployed.

Micro-level evaluations of active labour market policies on both the national level and through the Communities ERGO- programme have shown that income maintenance components of active measures are an important "sine qua non" condition for active labour market policies to succeed. However, there exists an intrinsic incentive versus obligation trade-off for the level of compensation while participating in a programme.

In a second part possible priority areas for more active labour market policies are identified. Improved counselling and assistance to job-search efforts can reasonably be expected to have the most immediate effects on reducing unemployment compared to training or job creation programmes. Direct job creation programmes will continue to play a role in getting people back to work, mainly for the long-term unemployed. However, the "additionality principle" for such public programmes, i.e. not to create unfair competition to private sector firms, needs to be respected.

The concluding remarks stress the eminent role of active labour market policies in addition to macro-economic policies to work against exclusion within and from the labour market. The design of new labour market policies or the revision of already operational policies have still some scope to be better targeted and work more stringently toward the equalisation of labour market opportunities for women, members of ethnic minorities and handicapped people.

Zusammenfassung

In diesem Bericht werden jüngste Entwicklungen im Bereich der Arbeitsmarktpolitik in den Mitgliedsländern der E.U. aufgezeigt. In einer ersten Bestandsaufnahme wird untersucht, inwiefern die Empfehlungen des Weißbuchs für Wachstum, Wettbewerb und Beschäftigung in den Mitgliedsländern bereits Anwendung finden. Das Weißbuch hatte ein Überdenken der Arbeitsmarktpolitik in den Mitgliedsländern angeregt mit der eindeutigen Maßgabe, öffentliche Ausgaben mehr für aktive Arbeitsmarktpolitik zu verwenden.

Im ersten Teil des Berichts wird die Dynamik in den Ausgaben für aktive Arbeitsmarktpolitik analysiert auf der Basis der OECD-Unterscheidung von aktiven und passiven öffentlichen Ausgaben. Besondere Schwerpunkte der vergleichenden Untersuchung bilden: (1) die Ausgaben für die öffentliche Arbeitsverwaltung, (2) Aufwendungen für die Integration von Jugendlichen und (3) Langzeitarbeitslosen.

Evaluierungsstudien aktiver Arbeitsmarktpolitik haben sowohl auf nationaler Ebene als auch im Rahmen des Gemeinschaftsprogramms ERGO gezeigt, daß die Aufrechterhaltung des Einkommens während der Programmteilnahme eine "sine qua non"-Voraussetzung für den Erfolg aktiver Arbeitsmarktpolitik darstellt. Es besteht jedoch eine inhärente Spannung zwischen der Anreizfunktion der Unterstützung und einer eventuellen Teilnahmepflicht an Maßnahmen.

Im zweiten Teil des Berichts werden Prioritäten der aktiven Arbeitsmarktpolitik in den Mitgliedsländern der E.U. herausgearbeitet. Verstärkte Anstrengungen in der Arbeitsvermittlung ist eine Form der aktiven Arbeitsmarktpolitik, die wahrscheinlich kurzfristig Arbeitslosigkeit reduzieren kann, während Fortbildungs- und Umschulungsmaßnahmen sowie Arbeitsbeschaffung eher mittel- oder langfristig wirksam sind. Öffentliche Arbeitsbeschaffung wird voraussichtlich weiterhin eine bedeutende Rolle spielen, damit mehr Arbeitslose eine Tätigkeit aufnehmen können. Die Bedingung, daß solche Maßnahmen nur in Bereichen durchgeführt werden, in denen privatwirtschaftliche Initiative nicht bereits vorhanden ist, muß jedoch respektiert werden.

Die Schlußfolgerungen betonen die bedeutende Rolle der aktiven Arbeitsmarktpolitik in Ergänzung zu anderen gesamtwirtschaftlichen Strategien zur Schaffung von Arbeitsplätzen. Dies wird umso deutlicher, wenn die Verhinderung von Ausgrenzung innerhalb und vom Arbeitsmarkt eines der gesellschaftlichen Ziele ist. Die Konzipierung von Arbeitsmarktpolitik kann auch weiterhin durch stärkeren zielgruppenspezifischen Zuschnitt auf frauenspezifische Programme, Programme für ethnische Minderheiten und Arbeitnehmer mit Behinderungen in ihrem Zielerreichungsgrad verbessert werden.

Content

Introduction	1
I. The Dynamics of Active Labour Market Policies in the Member States	2
1. Concept and Definition of Active Labour Market Policies	4
2. The Current Balance between Active and Passive Expenditure	8
3. Reorganisation of Employment Services and Intermediation in the Labour Market	12
4. Integration of the Young	17
5. Reintegration of the Long-term Unemployed	20
6. Evaluating Cost-effectiveness and "Lessons" from ERGO	23
II. Fixing Priorities for Active Labour Market Policies	25
1. Improving Counselling and Assistance to Job-Search Efforts ...	25
2. Creating Opportunities for the Young and the Long-term Unemployed	27
3. Towards Targeted Design of Active Labour Market Policies	28
4. Working against Exclusion	29
Conclusion	29
Appendix.....	32
References.....	34

Introduction

Unemployment in the European Community has continued to increase during 1993. Data on seasonally adjusted rates of unemployment for the Community in December 1993 show an alarming 10.9 percent peak during 1993¹ comparable to the high levels of unemployment in 1985. Only very recently there have been first signs of a beginning economic recovery which might allow to stop and eventually to reverse this trend. Indicators of confidence prevailing in industry as well as opinions on the general economic situation are increasing, but the unemployment rate is not expected to decline before 1995².

In this context of high level unemployment labour market policies that might alleviate the costs to both individuals and society as a whole are on the top of the agenda of policy makers throughout the Community. The fight against persistent high levels of unemployment can be approached from a number of different angles. The White Paper on growth, competitiveness and employment of the Commission of the European Communities emphasised possible policy responses and described the necessary macroeconomics conditions for more employment intensive growth in the Community. Labour market policies, and in particular active labour market policies, play an important complementary part to combat unemployment successfully. It needs to be emphasised that active labour market policies have to be co-ordinated with other macro-economic policies, for example a growth initiative, to bring about the desired effects, since inflows and outflows from unemployment are linked to both policy areas.

The working group on "more active employment policies" takes up one of the priorities of the White Paper on growth, competitiveness and employment which proposes a full-scale overhaul of employment policies. During the 1980s most Member States of the Community have attributed the largest share of their labour market expenditure on passive measures like income maintenance. For the 1990s the White Paper proposes to shift the balance of expenditure decisively in favour of active labour market expenditure. Subject of this report is how this proposed shift can be put into practice and what are the priorities and difficulties encountered by Member States in the implementation of such a shift of emphasis.

Part one of the report deals with the macro-economic dynamics of active labour market policies and the interrelationship of active and passive policies. We examine past experiences in Member States with active labour market policies and the scope for a shift of emphasis between active and passive expenditures. Based on cost-effectiveness evaluations, mainly those carried out within Member States, we describe advantages and disadvantages of

¹ Eurostat 1994: Unemployment Theme 3 Series B 2. April 1994.

² compare: European Economy Supplement B Nr.3 March 1994 and OECD *Economic Outlook* Nr.55 June 1994 p.ix.

specific types of measures. This analysis of country patterns of public expenditure and the assessment of effectiveness in terms of achieving the objectives of specific measures is followed, in a second part, by conclusions we can draw from these experiences. This part sets out possible priority areas for active labour market policies and mentions the many different approaches taken by Member States to achieve the common objective of reducing unemployment through a better use of public funds. The report closes with some broad policy conclusions to combat exclusion from the labour market which emphasise the validity of recommendations originally presented in the White Paper on Growth, Competitiveness and Employment (1993).

I. The Dynamics of Active Labour Market Policies in the Member States

Active labour market policies have been discussed ever since sizeable funds for unemployment insurance had been created. Managing of these early welfare funds made it clear that measures taken to prevent unemployment as well as those measures that shorten the duration of spells in unemployment are beneficial to the individual and were vital for the continuation of the fund's liquidity. But only more recently employees at risk of becoming unemployed were more and more included in the target groups of these funds. A preventive strategy like short-time working instead of dismissals may well be more cost-effective to the community at large than longer periods in unemployment, since passive spending in terms of unemployment compensation could be saved.

However, there is much discussion among policy makers and researchers about what amount of expenditure should be devoted to labour market policies in general and what types of active measures should be favoured. More recently the adequate targeting in the sense of timing of measures has also become an important policy issue. This concerns the comparative evaluation of measures trying to prevent long-term unemployment (flow into long-term unemployment) versus policies which address the reintegration of the long-term unemployment into regular employment (stock of long-term unemployed). The considerable size of the stock of the long-term unemployed at the end of an extended recession is already consuming large funds. Nevertheless, relatively more attention could be paid to measures that try to prevent long-term unemployment (Layard and Philpott 1991).

Under the heading active labour market policies we usually count labour market policies which pursue at least one of the following policy goals: First, policies that promote an efficient functioning of labour markets, i.e. a smooth interplay of labour demand and labour supply. Second, measures that aim at

the mobilisation of labour supply through, for example, job search training or work experience schemes. Third, policies which favour the development of employment-related skills such as on-the-job training. Fourth, policies that use employment subsidies to stimulate labour demand. A more precise conceptualisation how specific measures are regrouped into these broad policy objectives is presented in the following section.

Despite the fact that tax policies may have incentive or disincentive effects on labour supply (OECD 1993 p.39) we shall restrict our analysis to those active measures which have more direct budgetary implications on government expenditure for labour market policies. Similarly, we shall not touch upon issues concerning country systems of employment protection and their impact on labour market flexibility³ which can be expected to have implications on job search behaviour of the unemployed and their reservation wages.

In the theoretical literature on effects of labour market programmes (Jackman, Layard and Nickell 1991, Calmfors 1994) reservation wages are the level of wages which the unemployed consider acceptable on the basis of their earnings on previous jobs. Higher levels of unemployment compensation as well as longer durations of compensation will keep these reservation wages of the unemployed relatively high thus, theoretically, increasing the equilibrium level of unemployment. Similarly, theoretical arguments on the compensation level while participating in a training programme (usually close to the level of unemployment benefits), or in public job creation schemes (wage levels closer to the actual market wage) have pointed at the possible effects of compensation levels on the process of wage setting in an economy.

Empirical evidence, however, is inconclusive whether higher compensation levels on active programmes do really produce upward wage pressure⁴. Cross-country estimates as well as country-specific estimates of wage effects due to expenditures on active programmes indicate that both the number of participants and the average level of expenditure per participant contribute to wage moderation (OECD 1993 p.52) in aggregate studies, albeit these effects were found to be insignificant in statistical terms. Any contribution of active labour market policies towards wage moderation in an economy would entail some further increases in labour demand as some kind of "knock-on" effect.

This first part of the report begins with a more basic overview and discussion of the concept and definition of active and passive labour market policies in the Member States of the European Union. It briefly touches upon the restrictions imposed on the analysis by the availability of data on public

³ These issues are part of another interservice working group (Buigues et al. 1993) or ongoing evaluation studies (Schumann, K.; Rogowski, R.; Kruppe T. 1995 forthcoming).

⁴ Reviews of empirical evaluation studies as well as citations of other literature reviews can be found in OECD (1993) and Schmid and Schömann (1994).

expenditures. Secondly, we review the current balance of active and passive expenditure in the Member States with brief references to the evolution of expenditure during the eighties. We then turn to a more detailed investigation of active expenditure devoted to public employment services and propositions of reorganisation of these services. Labour market expenditure directed toward the young and the long-term unemployed are considered next, followed by a general assessment of cost-effectiveness of active measures.

1. Concept and Definition of Active Labour Market Policies

Active labour market policies as a policy field have a history to include measures targeted on the unemployed as well as those in employment. In fact prior to the first oil crisis labour active market policies were mainly directed towards people in employment to cope with regional imbalances, assistance to migration and upward job mobility. The concern of active labour market policies has drastically changed and has become almost exclusively targeted on the unemployed. The first systematic conceptualisation of the distinction into active and passive labour market policies in an internationally comparable manner was established during the 1980s.

The OECD introduced a convention to distinguish between seven major categories of public labour market expenditure (OECD 1988) reflecting national labour market spending. Based on much more detailed national expenditure categories five broad categories of active expenditure were defined: (1) employment services including counselling staff, programme management and administration of unemployment benefit systems, (2) labour market training, (3) special youth measures, (4) subsidised employment including direct job creation in the public and private sector and support for unemployed starting enterprises, (5) special measures for the disabled. Passive expenditure is classified into expenditure on income maintenance like unemployment compensation and early retirement for labour market reasons.

Unemployment compensation and early retirement schemes are considered to be passive expenditure because they finance largely inactivity. However, a close scrutiny of details of spending reveals that there are a number of specific measures which are hard to classify under one or the other category of active or solely passive spending. For example, short-time work compensation is counted as passive expenditure whereas employees are still working a reduced number of hours and are unlikely to be looking for another job. Winter building subsidies to the construction sector are counted as active expenditure while bad-weather compensation for construction workers is

defined as passive spending⁵. Developments of partial early retirement schemes which are linked to recruitment contracts for those replacing the employees on early retirement reflect another combination of active and passive expenditure, which is hard to classify. But for the policy concern of this paper the latter example constitutes an interesting way in which passive expenditure may be activated⁶.

In practice both types of expenditures are frequently closely linked. Even national budgets covering expenditure for social protection in more general terms can have some active labour market policy components. Probably the most prominent example is the "revenu minimum d'insertion (RMI)" in France and the "revenu minimum garanti" in Luxembourg that aim in addition to income maintenance at the reintegration of those receiving social assistance into the labour market (compare box 1).

In some instances the classification into active measures may also be questioned particularly depending on the actual content of training courses which sometimes have a high income maintenance component. In such events the results of evaluation studies of such programmes should be consulted and eventually certain types of expenditure might need to be reclassified. This may be understood as using evaluation studies to check whether measures which are intended to be active measure achieve their objective of reintegration of the unemployed. Evaluation studies may assist in indicating where there is further scope for a "re-activation of active measures".

Before presenting detailed results of size and types of expenditures we deem it expedient to raise some caveats for the statistical measurement and interpretation of results based on these categories. Regardless of some minor difficulties in classifying measures into the dichotomy of active and passive measures it needs to be kept in mind that comparisons of effectiveness of programmes between countries are difficult to assess on the basis of these data. The available data may allow us to conclude that one country spends an equally high amount on labour market training, but we cannot assess the actual duration of training received by individuals nor the quality of the training provided. Hence, care needs to be taken when interpreting high amounts of spending on active measures as being desirable under all circumstances. Any policy changes advocated need to stress that the scope for improvements in efficiency of current spending is exhausted before additional funds are allocated. A macro-economic evaluation of active expenditure needs to be complemented by micro-economic evaluation studies concerning the effectiveness

This is generally the case in France, Luxembourg, Germany and in Italy as part of the Cassa Integrazione Guadagni which originally provided wage replacement for workers working below their standard working hours (OECD 1988 p.84-114). Compare a new combination of part-time early retirement scheme and part-time integration of the young in the recent Spanish labour market reform (see inforMISEP no.45 Spring 1994 Spain p. 10).

of particular measures. Additionally, it needs to be emphasised that expenditure data are heavily influenced by the system of employment in which it operates, e.g. to what extent the unemployment insurance system determines financing of active labour market policies⁷.

The data available on public expenditure on labour market policies cover, to the extent possible, all public outlays at state, regional and local level. In recent years, however, an increasing amount of resources and implementation of labour market policies is administered at the local and regional level. There is little research to what extent local or regional governments attribute increasing amounts to some forms of labour market policies, but under different accounting labels. Probably the most typical example of such a case would be spending on improvements of the local environment which at the same time are very employment intensive. In case central labour market authorities cofinance activities OECD data (1988 p.85) take account only of the proportion of the central authorities' financial contribution. Cofinancing has recently become subject of a change in the legal regulations governing financing of labour market policies at local administrative authorities in East Germany.

Box 1: Revenu Minimum d'Insertion (RMI)

The RMI has been Introduced as of 1st January 1988 for an experimental period of five years« It has been renewed and amended in July 1992. Since its introduction the RMI aims on one hand at reducing poverty by providing a basic allowance to everybody in need. On the other hand, it allows the receiver of the allocation to participate in an insertion contract which attempts to re-insert the individual both professionally and socially. The minimum Income provided to alleviate individual in poverty starts at 2253FF for a single person in need without dependent children and can reach 6534FF for a household with 4 children. In 1992 the national budget expenditure attributed to the RMI was 14 billion FF with a total of 671 .ODD participants. However, only about 40 percent of these participants concluded an insertion contract. France and Luxembourg have both introduced the link between social policy of assistance to the poor and active labour market policy since there were many cases where individuals needed a basic allocation first in order to become ready to actively search for work, participate in training courses or work demonstration programmes. This highlights the importance of the combination of passive expenditure on assistance for basic needs and active measures in order to succeed the reinsertion of many of the poorest people in a society« Probably such measures constitute the largest potential source of social expenditure where there is further scope for an activation of social expenditure in terms of labour market integration in most Member States of the European Union.

⁷ The issue to what extent the system of financing unemployment benefits and other active expenditure depends on contributions of employees and employers which still vary a great deal across Europe cannot be dealt with in this paper. They are, however, expected to impact on the amount spent on active measures (Schmid et al. 1992).

The regulation introduced encourages cofinancing of labour market expenditure with other environmental expenditure, social services or industrial restructuring grants given to, or provided by, regions. This accumulation of funds to finance activities has been allowed under §249h of the labour promotion act (Arbeitsförderungsgesetz) which requires that these projects are desirable from a social perspective and would not have been carried out under the prevailing rules of allocation of public funds.

Concerning the data on expenditure it needs to be stressed that badly administered active programmes may degenerate into mere passive income maintenance irrespective of the size of the budget allocated. Only individual programme evaluation can ensure that such risks can be avoided. On the other hand, passive measures might involve substantial parts of active components even if it is only with respect to more intensive counselling and avoiding discouragement of, for example, the long-term unemployed.

Another potential source of misinterpretation of the data consists in the fact that only public expenditure is counted among active measures for labour market training. Particularly the example of financing of initial vocational education in form of apprenticeships relies in some countries on substantial amounts of investments of both firms and individuals in form of foregone earnings. High public expenditures on this type of labour market policy is, to some extent, an indicator of insufficient private initiatives as well as running the risk of crowding out possible private initiatives and expenditures. This is most obvious in the case of private sector efforts for apprenticeship-type of training. State initiatives to counter youth unemployment play largely a compensating role for a lack of sufficient private initiative or market failure.

The macroeconomic data on expenditure even supplemented by absolute numbers of the stock of participants or new programme entrants⁸ needs to be complemented by a more micro-level evaluation of country priorities and programme effectiveness. The policy recommendations of the OECD⁹ concerning more active labour market policies lead in a similar direction. The micro- and macro-evaluation of labour market policies needs to attach more importance to programme design features in addition to quantitative assessment of accountable costs to public funds.

⁸ Anders Reutersward, who kindly provided the latest figures from the OECD data base on labour market policies, pointed out that the data on stocks of participants in programmes are still very unreliable to be used in further analyses of the expenditure data,

⁹ compare the OECD Employment Outlook 1993 chapter two, particularly p.67.

2. The Current Balance between Active and Passive Expenditure

The proposals for action outlined in the White Paper by the Commission of the European Communities (1993) favour a shift towards more active labour market policies. In 1987 the amounts spent on active measures ranged within the Community from 0.56 percent of GDP in Italy to 1.45 percent of GDP in Ireland. Five years later this range of expenditure on active measures has widened within the European Union (OECD 1993 pp.39-80). We now find the lowest expenditures in Luxembourg (0.28% latest available data refer to 1991) and the highest in Denmark (1.88% of GDP in 1993). The range within the Community has been further enlarged at both the top and the bottom end of the scale since 1987¹⁰.

Figure 1 presents active and passive public expenditure on labour market policies around 1993 in the Member States. Countries are ordered according to their spending on active measures. It is remarkable that those countries that have a high active spending are at the same time charged with relatively high passive spending. The example of Denmark shows that a strong commitment to active policies despite rising unemployment allows to put aside sufficient funds for active measures like counselling, training and subsidies employment. Similarly in Sweden a possible member of the Community in the near future, which has witnessed a surge in open unemployment, endures and even increased its high spending on active measures until 1992 when active expenditure as percentage of GDP reached 3.21 percent (compare box 2).

Some Member States of the European Union already have a tradition of sustained high spending on active labour market policies throughout the 1980s, these are Belgium, Denmark, Germany and Ireland (compare Appendix and Figure 1). Countries such as Greece, Italy, Portugal and Spain have increased their share of active programme expenditure as a part of total labour market expenditure considerably between 1985 and 1990. This has partly been encouraged by the resources provided to these countries through the European Social Fund. However, due to the rising rates of unemployment between 1990 and 1992 particularly in Spain and Greece this high activity rate could not be sustained due to the steep rise in expenditure for unemployment compensation. A similar trend towards crowding out active spending when unemployment and, therefore unemployment compensation, increases can be observed in Germany in 1993, although active spending remains at a very high level.

¹⁰ In view of the possible enlargements of the European Union of twelve to sixteen Member States a further spread of this range with Sweden spending 2.56% of GDP on active policies in 1993. Similarly Finland (1.77) and Norway (1.30) have a tradition of high active expenditure. On the contrary in Austria (0.32) active labour market expenditure remains at a low level in 1993.

Figure 2 provides details on the percentage distribution of active and passive expenditure of total expenditure. Countries such as Portugal and Italy which did not show particularly high absolute spending in terms of GDP managed to keep a well balanced expenditure profile. In Spain the recession has increased the unemployment rate to 18 percent in 1992 which has been accompanied by soaring unemployment compensation. Similarly in Denmark, the United Kingdom and Luxembourg the balance of labour market expenditure is tilted in favour of high percentages of passive unemployment compensation and early retirement.

Box 2: Active Labour Market Policies in Sweden

Most Member States of the European Union have developed active labour market policies on a larger scale in the aftermath of the first oil crisis in 1973. At that time Sweden had already the experience of at least ten years of larger scale active labour market policies. Throughout the 1980s Sweden had an activity rate (the percentage of active labour market policies as a share of total labour market expenditure) of 70 percent.

In the current recession which Sweden is also about to leave (OECD Economic Outlook 1994) the expenditure on active labour market policies stayed above 2 percent of GDP which constitutes on average 50 percent of total expenditure on labour market policies during the early 1990s. Despite a surge of the unemployment rate from 2.9 percent in 1991 to 8.2 percent in 1993 expenditure on active labour market policies rose to a peak of 3 percent of GDP in 1992 and is still at 2.56 percent in 1993. The activity rate in 1993 has dropped to 45 percent but is still high compared to most Member States of the European Union once the rapid increase in unemployment is taken into account.

Due to a continued deterioration in public finances and particularly the government budget deficit the steep increase in total unemployment compensation in the fiscal year 1993-94 of 0.44 percentage points of ODP equalled the overall drop in active expenditure in the same year. The Swedish response to the increasing budget deficit has been to reduce its statutory rate of 90 percent (until July 1993) wage replacement rate while in unemployment to 80 percent to curb further rises in passive expenditure. The level of replacement rates in Sweden is still as high as the most generous rates provided within the European Union,

In summary, despite the rapid rise in unemployment, public expenditure on active labour market policies (in % of GDP) is still higher than in each Member States of the European Union. The relative success of Sweden to curb increasing long-term unemployment can be seen in its continued commitment to active labour market policies.

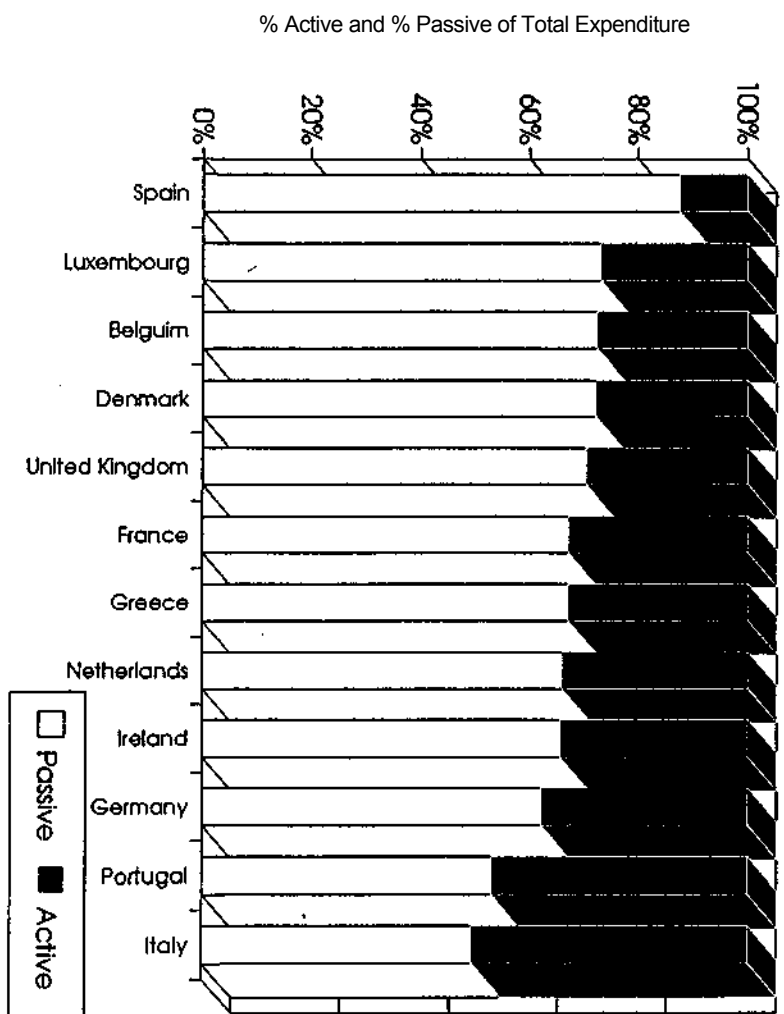


FIGURE 2: Activity Rates of Expenditure on Labour Market Policies in 1993 or latest year available

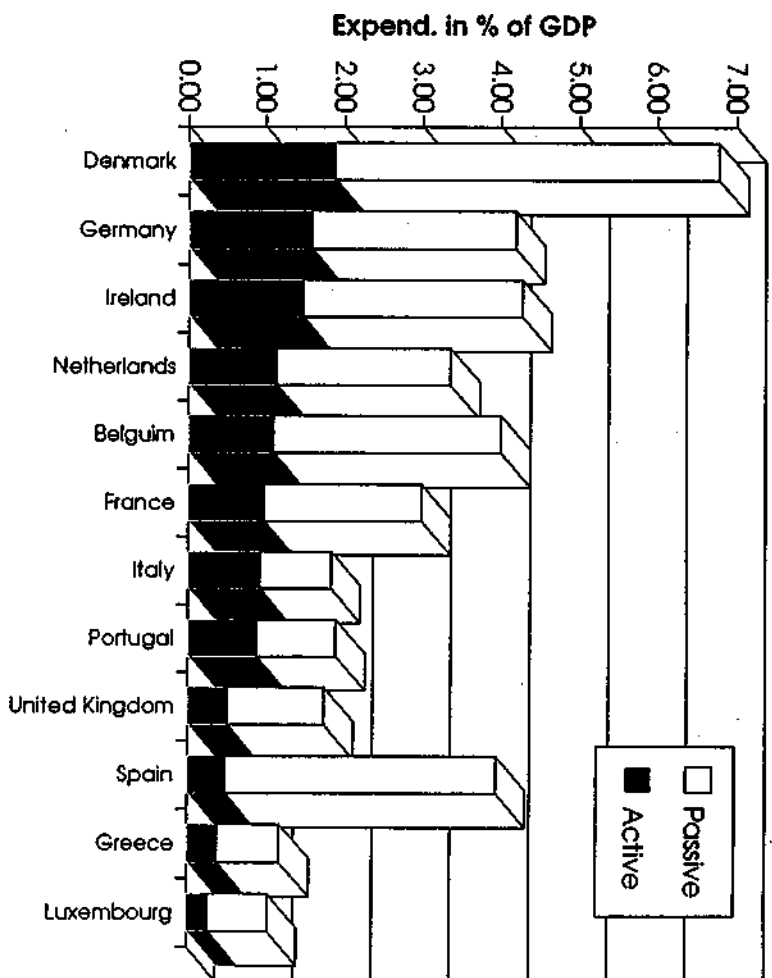
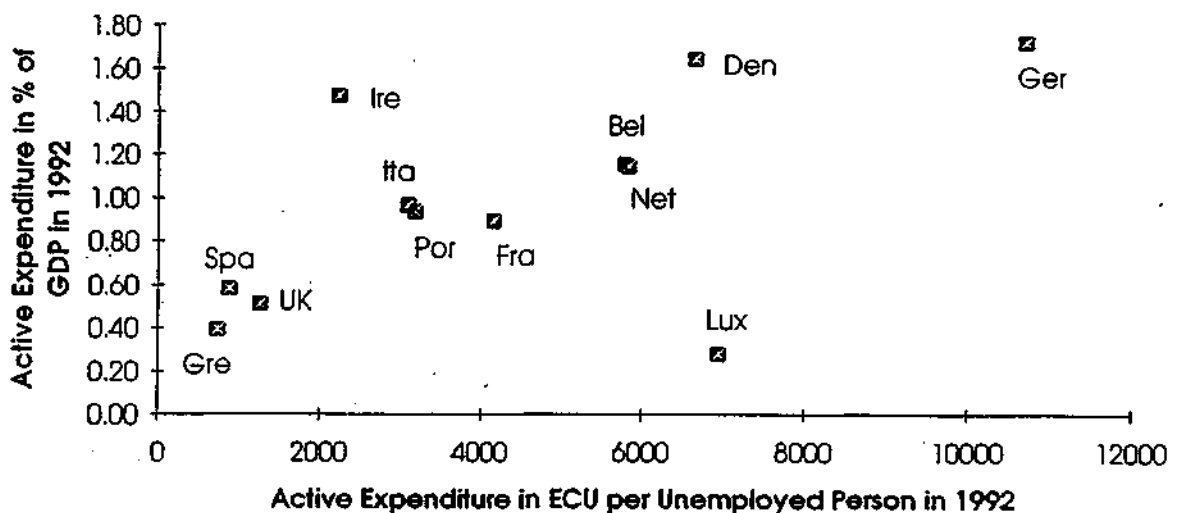


FIGURE 1: Expenditure on Labour Market Policies in 1993 or latest year available

Similar to Layard, Nickell and Jackman (1991) we calculated an additional indicator which can speak to the issue of a country's relative commitment to active policies. Not only the percentage of active expenditure of GDP gives such an indication, but also the amount spent on active measures per unemployed person. For reasons of comparability we used data for 1992 (or the latest available ones) in this exercise since we recalculated the expenditure in terms of ECU spent per unemployed person. Figure 3 indicates the strong correlation between high spending on active labour market policies and expenditure per unemployed (compare Figure 3).

Germany, Denmark and the three Benelux countries have the highest expenditure per unemployed persons which reflects both high levels of compensation when participating in an active measure in these countries as well as higher status programmes. By higher status programmes we mean either programmes which just last longer, and therefore are more expensive, or which might be more costly in terms of facilities needed for the active measures. In 1993 expenditure per unemployed in Germany has come down sharply both due to rising unemployment in East and West Germany and reductions in total active expenditure.

FIGURE 3: Active Government Expenditure compared with Active Expenditure per Unemployed in 1992



3. Reorganisation of Employment Services and Intermediation in the Labour Market

The OECD convention groups active expenditure into five categories: public employment services, training, youth measures, subsidised employment and measures for the disabled. Expenditure involved in administration of labour market programmes as well as public services provided for counselling, vocational guidance, job-search courses, support of geographic job mobility and interregional or across-border mobility which occurs in connection with job-search and placement is classified into one single category. Member States of the Community vary in size and intensity of guidance which is provided to both the employed and the unemployed.

The Community as a whole spends on this form of support of guidance and job-search efforts of the employed and unemployed about 0.17 percent of the Community's GDP. In Germany spending on counselling and job-mobility is about six times as much in this category than in Luxembourg calculated as percentage of each country's GDP (compare Figure 4). It is interesting to note that countries with a federal organisation structure like Belgium and Germany are among the two highest spenders on public employment services. Country size and federal structures appear to make it necessary to spend more money on making the labour market work in terms of providing information on both supply and demand of labour. A comparison of expenditure on public employment services since 1985 (see Appendix) shows that with the exception of the Netherlands and the United Kingdom there has been very little variation in expenditure patterns on public employment services and job-search assistance. Decentralization in the Netherlands and the United Kingdom has even increased expenditure in recent years.

Despite the fact that unemployment rates in all Member States of the European Union increased between 1990 and 1993 expenditure on counselling and job search assistance did hardly change excepting the Netherlands and the United Kingdom. Comparing the size of public employment services in terms of the ratio of how many unemployed persons a single staff member has to deal with (OECD 1993, 1994) a wide variety within the Community becomes apparent. In the Netherlands, Denmark, Germany, Luxembourg and Belgium there are less than fifty unemployed persons per administrative staff member who should be able to cope with the counselling demand and advisory needs of the unemployed. In Ireland, Greece and Spain one administrator has to deal with more than one hundred unemployed. These high unemployed per staff ratios occur particularly in countries with a rather urgent unemployment problem where efficient counselling due to overcrowding might become difficult (compare Table 1).

FIGURE 4: Expenditure on Public Employment Services in 1993 or latest year available

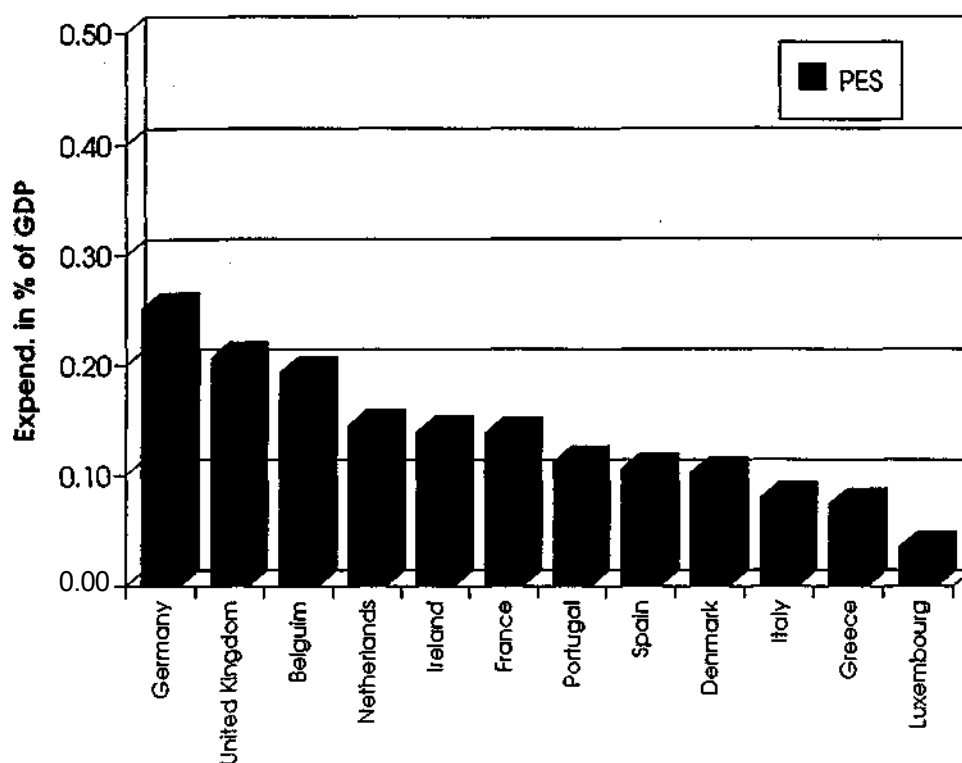


TABLE 1: Number of Unemployed Persons per Staff Member in Employment Offices and related Services in 1992

	Unemployed Persons per Staff in Employment Services including Networks	Average Annual Rate of Unemployment (EUROSTAT)
NETHERLANDS	32	6.7
DENMARK	38	9.5
GERMANY	39	4.5
LUXEMBOURG	40	1.9
BELGIUM	44	8.2
PORTUGAL	51	4.7
UNITED KINGDOM	72	10.8
FRANCE	79	10.0
IRELAND	100	17.8
GREECE	172	7.7
SPAIN	191	18.0
ITALY	not available	10.3

Source: OECD data base and OECD Draft Background Report to the Employment/Unemployment Study 1994.

The same ratio in Sweden, a possible future member of the European Union, was at 27 unemployed per administrator who can, therefore, provide more orientation and job search assistance to each unemployed person. Similarly in Austria with 34 unemployed per administrator more time for guidance of the unemployed, training needs and career potential can be attributed by the employment services. Whereas the percentage of expenditure on public employment services in the Community is at 0.17 percent of GDP Sweden devotes about 0.5 percent of GDP on its employment services. In order to allow a more intensive counselling and guidance of the unemployed and those at risk of unemployment more resources would need to be allocated at employment services and intermediate organisations to provide better assistance in search efforts of the unemployed. Macroeconomic simulation studies show that an increase in active expenditure of this kind yield positive effects on employment. Increased expenditure on passive income support, on the other hand, is likely to lead to further reductions in aggregate employment ¹¹.

In all Member States of the European Union there are public employment services that provide job placement services and general counselling free of charge. In most countries this function has been entrusted to centralised government agencies. This has partly historical reasons and partly originates in the financial accounting structure of unemployment insurance funds and state contributions towards these funds (Schmid et al. 1992). Equally common in most Member States is an increased involvement of the social partners in a bipartite or tripartite administration (including representatives of the labour ministries) of public employment services¹². The way of incorporating the social partners in decision making processes varies in effective influence and forms of institutionalisation. In Spain, Italy and Denmark it is the labour ministries that dispose of the sole administrative authority over the employment services, but in the case of Denmark the involvement of the social partners is still considerably strong (Höcker 1994).

Most Members States have introduced some form of decentralisation of public employment services to the regional level with the aim of customising services closer to specific needs of regions, since structural differences between regions require adequate policy responses. Belgium, Greece and Italy have pursued a political decentralisation which gives greater autonomy to regions in planing their active policies as well as greater authority to administer funds regionally. The latter development was spurred by the administration of

¹¹ Such aggregate simulation studies, however, suffer from the difficulty to include so-called multiplier effects which are effective at later points in time. For a macro-economic assessment of the composition of public expenditure into consumption and investment spending compare Pressman (1994) and Kraft (1994) for the active versus passive expenditure debate. Both authors provide evidence in support of the view that active (investment) expenditure is more likely to create jobs.

¹² The United Kingdom has chosen to focus on a more market-oriented approach and improved "self-service" facilities administered through the Training Enterprise Councils.

funds allocated to these countries (Greece and Italy) through the European Social Fund.

For a general overview about the impact of organisation structures on active labour market policies it is helpful to recall a basic feature of public employment services in the European Union. Three broad categories of European country systems can be distinguished: centralised and integrated organisation (Spain, Portugal, Ireland and Germany), centralised and fragmented organisation (Italy, Greece and France) and decentralised organisation (United Kingdom, Netherlands, Denmark and Belgium). The main difference between centralised-integrated and centralised-fragmented organisation is that the former type of organisation has regrouped all kinds of active and passive labour market policies in one organisation whereas in the latter ones functionally different services are provided by separate organisations (Höcker 1994).

Besides fruitful institutional variety among European countries there is a trend of reorganisation of services to the unemployed in the form of providing so-called "guichet unique" systems. This reorganisation efforts have the common objective to reduce the number of contacts for the unemployed concerning information about unemployment insurance, placement services, possibilities for further training or job creation schemes. The French programme of interviews with the long-term unemployed during the first ten months in 1992 and the single advisory centres for the young¹³ are probably such examples as well as the one year pilot project of "one-stop offices" in the Netherlands which is a co-operation of the federation of industrial insurance boards (FBV) and the Central Labour Market Authority (CBA).

In close co-operation with the public employment services there are a number of intermediating institutions usually in the form of non-profit organisations which carry out specific labour market programmes. These by no means peripheral organisations have far-reaching authority in programme execution and recently some countries try to allow some form of competition between such intermediating organisations. However, the success of such reforms have not been evaluated and it is still not clear how enforcement of minimum standards of services and the risk of competitive creaming for better programme participants are to be combined in an effective way.

It seems to be easier to agree on better monitoring and evaluation of both public employment services and intermediate organisations with the aid of indicators of effectiveness of services provided. Such monitoring and evaluation efforts are expensive and rather lengthy in time so that guidelines

¹³ "Lieu d'accueil unique pour les jeunes", Loi quinquennale relative au travail, à l'emploi et à la formation professionnelle 1993.

developed specifically for these evaluation attempts need to be established and funds should be set aside to collect reliable information ¹⁴.

The theoretical rationale for an increase in active expenditure of this kind within the Community is based on the fact that better counselling for the unemployed will increase the intensity and efficiency of job-search of the unemployed. In case circulation of information in the labour market is insufficient the duration of unemployment is unnecessarily increased. Better counselling of unemployed job-searchers will also enhance the possibility of employment services to propose more suitable candidates for vacancies as well as monitoring of availability for work of the unemployed. These factors taken together will avoid that the unemployed tend to be considered as "outsiders" who do not pose an effective alternative to the employment of "insiders". The likely macro-economic effect will be wage moderation, followed by economic growth and, subsequently, an increase in the aggregate level of employment.

More active labour market policies are most likely to allow a shift of the Beveridge curve, i.e. the relationship between the rate of unemployment and vacancies. An extension of active labour market expenditure is expected to yield a lower level of unemployment for a given level of vacancies. This can be achieved both by way of an extension of counselling facilities or an increase in the efficiency of the services provided. Other forms of active expenditure allow the same mechanism but can be expected to be less direct in their effects. Usually participants of training programmes and participants in public job creation schemes are found to have a reduced search intensity for regular employment (Edin and Holmlund 1991, OECD 1993). This point we shall take up again in Part two when policies are proposed to combine training programmes and job creation schemes with continued job search.

Micro-economic studies of the impact of job-search assistance, potential employment effects of increased counselling have pointed at the possibility of substitution effects operating among unemployed workers, for example through the replacement of a long-term unemployed person by another unemployed person with shorter duration in unemployment ¹⁵, or possibly also vice versa. Increased counselling might lead to the fact that some of the unemployed might be preferred to some others equally in unemployment. In this case more counselling would not yield the expected positive employment or wage moderation effects.

¹⁴ A similar argument is advanced by Lindley (1993) concerning evaluation efforts related to programmes financed or co-financed by the European Social Fund.

¹⁵ The introduction of the RESTART programme, job interviews with the long-term unemployed was evaluated with positive placement effects albeit some displacement of short-term unemployed by the target group of this programme (Jackman and Lehmann 1990).

A better flow of information about vacancies, the level of qualifications of the unemployed and an assessment of needs for retraining, public job creation or employment subsidies will enhance efficiency in the labour market without the risk of substitution effects. Better counselling when combined with improved further training facilities or public temporary job creation will make it possible to orientate job-searchers towards courses tailored to their individual needs in order to facilitate a faster return and transition back into the core of the labour market.

Increased expenditure for public employment services needs to be coupled with an evaluation of internal efficiency of the services provided. In some Member States the unemployed are confronted with a number of different advisers on specific details of their unemployment compensation and those advising on training programmes or public job creation schemes. It might need to be reconsidered whether there is scope to unify these different aspects of the services provided to the unemployed into one organisation ("guichet unique"). There are similar arguments in favour of "twin counter", but the essence of such proposals is to allow a closer monitoring of individual search efforts as well as improved capacities to provide detailed information on job offers and other active measures to the unemployed. Reorganisation is not a value in itself it needs to provide better services to the organisations' clients.

A related issue to the discussion of single or multiple counters consists in attempts to privatise parts of the services provided by public employment services. More precisely, some Member States have undertaken steps to allow private employment services to perform similar tasks like job placement. There is little evaluation of the likely effects of allowing competition in job placements, but generally it is believed that this creates few additional job openings rather a faster turnover or filling of vacancies (Walwei 1991).

4. Integration of the Young

A comparison of youth unemployment rates across the Community reveals that in all but one country youth unemployment rates of those aged less than 25 years are higher than those for the labour force as a whole. In Belgium, France, Italy and Spain youth unemployment rates reach close to double the size of overall unemployment rates and particularly young women face even more unfavourable conditions at entry into the labour market ¹⁶. This has been of major concern within the Member States and at the level of the Commission of the European Communities, where financial resources to Community programmes targeting the young have been increased recently. However, the

¹⁶ Eurostat 1994: Unemployment Theme 3 Series B 2. April 1994.

average youth unemployment rate for the European Union has trespassed the twenty per cent level in 1993.

Based on the OECD data collection it is possible to identify the percentage of GDP of public employment budgets devoted to youth measures. These measures targeted at the young focus at the successful transition from school to work¹⁷. They include measures for both unemployed and disadvantaged youth as well as support of apprenticeship systems and similar forms of training and work experience schemes. High expenditures on youth measures reflect the importance of this issue in labour market policies independent of the engagement of firms and individuals in apprenticeship-type of learning and work experience.

Figure 5 shows the percentage of a country's GDP spent on measures designed to deal with unemployment of school leavers, either with and without leaving certificate, and apprenticeship-type of training courses. Italy, Ireland and Portugal have the highest expenditure in this category, whereas Spain, the Netherlands, Greece and Belgium seem to attach little importance to measures of this kind. Among countries with particularly high youth unemployment like Spain, Greece and Ireland it is the former two countries that, apparently, do not match the urgency of the problem with funds allocated to deal with this issue through active labour market policies targeting the young. The United Kingdom and Ireland reduced their expenditure relative to their efforts in the middle of the eighties, whereas Italy and Portugal have been able to increase their expenditure in this category during this time period (compare Figure 5 and data in the Appendix). However, a note of caution in the interpretation of these results is indicated since for example France and Spain have relatively low youth participation rates in the labour market. Youth unemployment can also be dealt with by longer retention rates of youth in the full-time education system.

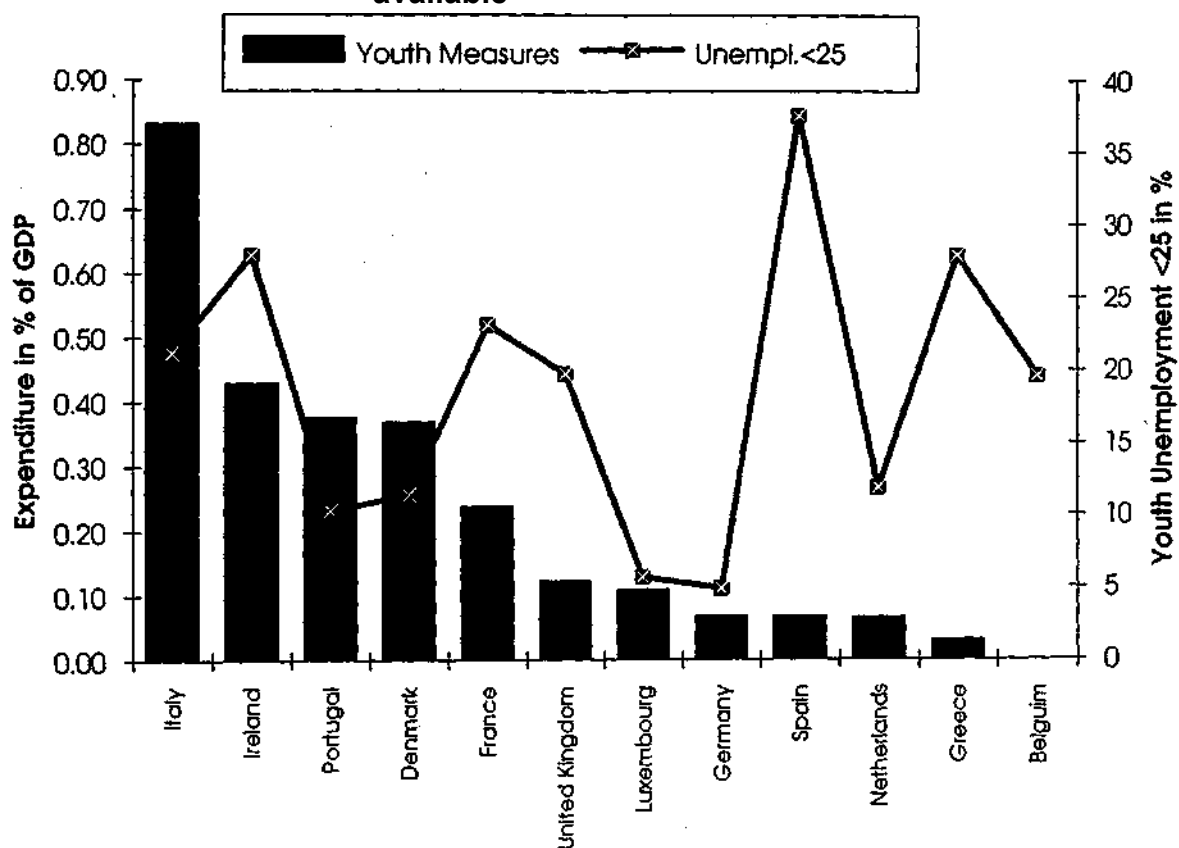
Within Member States there is quite a number of policy initiatives which are rather rapidly adjusted to changing needs of specific target groups among the young. Nearly all Member States have stepped up their efforts to enhance their vocational training system and its capacity to absorb young school leavers¹⁸. This is true for countries which introduced this combination of training and work experience only recently (e.g. Spain) just as well as countries with a longer tradition with this measure (e.g. Germany). A second priority of active labour market policies within the Community, though of a much smaller scope, are public job creation schemes targeted on the young and "direct"

¹⁷ Public expenditure on labour market policies targeted on the young might to some extent be a kind of substitute to expenditure on the education system. Deficiencies in the general education system might need to be compensated at a later stage through higher expenditure on labour market policies.

¹⁸ The major schemes within countries are apprenticeships (Ireland), youth training (U.K.), contrat de qualification and contrat d'orientation (France) and contratti formazione lavoro (Italy).

employment subsidies to employers or "indirect" exemption of social security contributions when hiring a young unemployed employee¹⁹.

FIGURE 5: Expenditure on Youth Measures and Youth Unemployment Rates in 1993 or latest year available



For both issues there are continuing evaluation efforts in most countries. Recent publications stress the higher risk of unemployment for young school-leavers without certificates (Tanguy, Jobert, Marry 1994). Apprenticeship systems may be favourable to provide some second chance of professional integration into the labour market to the young if they were not successful in the general education system, hence reducing the risk of unemployment at later stages of the working life. Since remuneration of apprentices is usually substantially below market wages for labour market entrants a careful handling of any changes to this transition period into the labour market is indicated.

¹⁹ This information was made available through the MISEP Basic Information Reports and the inforMISEP newsletter.

Wage subsidies to employers to facilitate employment of difficult to place individuals are not restricted to the young. In fact in most countries these measures have originally been applied to other target groups (Gautie, Gazier, Silvera 1994). Results so far suggest that wage subsidies speed up the process of insertion of the young and therefore are effective when the sole objective of integration of the young is envisaged, but so far most empirical studies have hardly been able to account for factors of displacement of other non-subsidies workers, or dead-weight effects in the sense that even without the subsidy the young would have found another way of insertion into the labour market. At least it can be retained that integration is much faster when wage subsidies for the young are available than in the absence of such measures (Breen 1992).

5. Reintegration of the Long-term Unemployed

The incidence of long-term unemployment, defined as the percentage of long-term unemployed of the total unemployed, has risen within the Community from one economic recession to the following one. Only Denmark and Sweden have been able to avoid this longer run trend in Europe, partly due to their job offer schemes which propose some public employment after twelve or eighteen month in unemployment (OECD 1993 p.86). However, this analysis is based on information dating back to 1991 and it remains to be seen whether Member States were able to subdue the high level of efforts to combat a rise in long-term unemployment in the ongoing situation of slack labour demand.

Insufficient aggregate labour demand has led, in some Member States, to increase their efforts of public job creation schemes. Those have taken the form of direct job creation in the public sector or in non-profit organisations. Another approach towards the reintegration of the long-term unemployed is to increase labour demand through subsidised employment. These consist in wage subsidies for the recruitment of a long-term unemployed person. To a lesser degree support of unemployed persons starting an enterprise has been used as a form of subsidised self-employment.

Public expenditure on these three types of active measures is shown in figure 6²⁰. Belgium, Denmark and Germany have the highest percentages of GDP attributed to such forms of subsidised employment which is mainly targeted on the long-term unemployed, but not exclusively. In the case of Belgium there exist 11 different job creation programmes most of which are targeted on the long-term unemployed such as the grant-aided contractual

²⁰ There is sometimes substantial spending on training measures for the long-term unemployed, but the OECD categories do not allow a precise attribution of these funds to the long-term unemployed.

working for public authorities and the "third work circuit" (troisième circuit de travail TCT) creating jobs for the very long-term unemployed with more than two years in unemployment. In Germany training for the long-term unemployed is one of the priorities of expenditure to the benefit of the long-term unemployed just as much as the public job creation schemes (Arbeitsbeschaffungsmaßnahmen ABM). This type of subsidies employment schemes have to be to the benefit of the community and need to be additional to other public employment in the sense that without the public employment subsidies the projects would not take place²¹. In Denmark the job offer scheme, a statutory right to at least a temporary job, is the main instrument of active Danish labour market policy. Whereas Belgium and Denmark tend to increase this expenditure in 1993, Germany has cut back its programmes of this kind. (Compare Figure 6 and Appendix).

The other countries of the Community do not make much use of public job creation schemes or have cut back their programmes earlier like the United Kingdom, Portugal and the Netherlands. More common in the nineties are employment subsidies in the form of exemptions from social security contributions. Almost all Member States resort to this option of active employment policy but the degree of exemption from contributions varies widely within countries between specific target groups as well as between Member States. In view of a more balanced portfolio of active expenditure some Member States might reconsider making more use of this type of active labour market policy in addition to their current practice. This, however, can be debated and depends on the point of view whether reintegration of the long-term unemployed is to be achieved via policies making the long-term unemployed more competitive in terms of wage costs to employers or by providing the long-term unemployed with job opportunities to facilitate their adjustment to structural changes in the labour market ²².

In the case of job offer schemes it has been found that job creation in the private sector appears to be superior to job creation in the public sector for long-term unemployed persons in Denmark (Ingerslev 1993), Belgium (Mahy 1993) and France (Charraud 1993). In these studies programme success has been identified as the probability to stay with the same employer after termination of the job creation scheme. Whereas percentages of retention of programme participants after completion of the measure indicate higher rates of transition from programmes to regular private sector jobs, these studies recognise the possible "selection bias" in such estimates. Job creation in the private sector involves more intensive screening of programme participants at the start of a programme which then is likely to lead to better post-programme

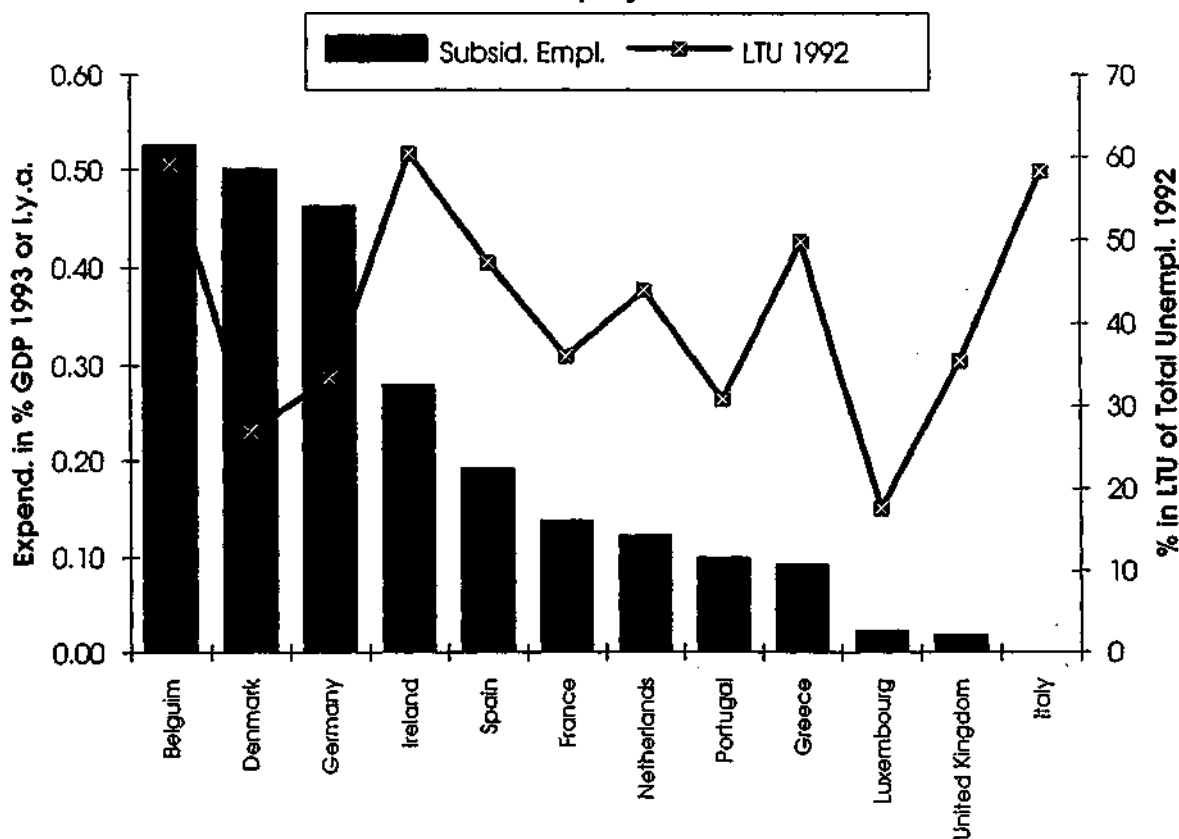
²¹ The additionality principle tries to minimise dead-weight, substitution and displacement effects of job creation schemes which causes low marginal revenues of such activities (Grubb 1993, Calmfors 1994)

²² A more detailed discussion of these policy alternatives is discussed in Gautie, Gazier, Silvera 1994, Schmid 1993, Calmfors 1994.

results in the private sector. Placement in the public sector occurs with more emphasis on equity considerations rather than optimal programme efficiency.

Careful examination of individual results is indicated since different authors take different programmes as their reference category against which programmes are evaluated. For example, the study by Charraud (1992) for France found that those measures of reintegration of the long-term unemployed which are achieved through employment subsidies (e.g. Contrat de retour a Pemploi CRE) have a higher probability of longer lasting integration into the labour market than measures which provide practical work experience (stage e.g. stage d'insertion à la vie professionnelle SIVP) for a limited period. Such specific results, however have to be put in perspective through the comparison with other evaluations of the same programmes with different reference programmes (Gautie, Gazier, Silvera 1994).

FIGURE 6: Expenditure on Subsidised Employment and Long-Term Unemployment



6. Evaluating Cost-effectiveness and "Lessons" from ERGO

The proceeding chapters in part one have attempted an assessment of country priorities and evaluations of different types of active labour market policies in such broad policy categories like initiatives directed towards the young, the long-term unemployed or public employment services. In general terms evaluation of labour market policies should not be much different from evaluations of other kinds of public spending which ask questions like, given a particular objective which is the way of achieving this objective involving the smallest amount of public funds. In the field of evaluation of active labour market policies we are still far from such precise conclusions.

Despite many years of monitoring and partial evaluations of labour market policies we are, to a large extent, still unable to provide unambiguous results or even uncontested knowledge about "the most cost-effective measure" in the area of active labour market policies. The main reason for this deficiency is the number of levels involved in an adequate evaluations of labour market initiatives. To illustrate this we can only briefly sketch some of the difficulties confronted in policy evaluations of specific measures. More careful evaluation attempts are indicated in particular when evaluation is carried out with the aim of transferring "good evaluations" from one country to another. A whole set of additional institutional knowledge and customary practice needs to be taken into account in such attempts (compare Tarling 1993).

An apparently straightforward evaluation question of further training activities for the long-term unemployed involves at least four kinds of possible benefits: those which accrue to directly to individuals participating in the programme, but also the local community, employers who rehire trained staff and policy makers in gaining knowledge what kind of measures work and which ones do not (Tarling 1993). Concerning cost accounting of a measure it needs to be assessed, whether there are costs involved in a measure which are borne by participants or intermediating organisations in addition to public outlays, since this will co-determine the probability of programme success in one or the other direction.

Equally difficult, in some instances, is the choice of the adequate measure to evaluate expected positive programme effects. Most economic evaluations highlight post-programme earnings of participants as their measure of expected effects, whereas more socio-economic evaluations choose employment probabilities after programme participation as their target measure. Additionally, policies will vary in the time horizon they consider necessary for programme benefits to occur. A comparative evaluation of training programmes that aim at a short run placement of participants on the labour market with programmes aiming at generally better occupational career prospects, possibly avoiding recurrent spells in unemployment would require a much longer-term

observation of career development than the programme targeted on direct placement. The same programme performing well in one respect might fail to score sufficiently high in some other respects.

These lines of arguments should not lead to the point of view that evaluation of labour market policies is unlikely to provide the desired information which allow to discriminate between more or less effective measures. On the contrary, this is only warning against discarding some active measures too quickly on the basis of difficulties in their assessment in terms of cost-effectiveness. Due to the limited scope of this report we emphasized results which can be observed in a similar fashion in more than one Member State of the Union ²³.

Box 3: "ERGO" an Action Research Programme

The research programme "ERGO" was set up by the Commission of the European Communities in 1988 based on the conclusions of the Social Affairs Council meeting of 1st December 1987. Two objectives guided its work: (1) to enhance the awareness of the problems faced by those who are long-term unemployed or otherwise excluded from the labour market and (2) to improve local actions to assist the long-term unemployed. The role of the extended "ERGO 2" programme launched in 1993, is to provide and disseminate information, experiences and analyses which help to stimulate dialogue concerning assistance to the long-term unemployed. The total budget for "ERGO 2" is scheduled to reach 1 million ECU to finance focal projects and transnational partnerships.

In its first phase ERGO has developed an evaluation methodology and assessed the programme implementation and execution of 116 local employment initiatives in form of case studies. ERGO evaluations attempted to make comparisons of effectiveness and efficiency of local employment measures targeted on the long-term unemployed in all Member States. Despite the risk of displacement effects when targeting the long-term unemployed actions can be made more effective if they are firmly integrated into local strategies for economic development and labour market policies.

So-called reintegration enterprises, which provide bridges between unemployment and regular employment have frequently suffered from adequate funding to offer longer term solutions for those which are especially difficult to place. The low pay in these enterprises creates its own problems for work incentives. To limit displacement effects of other private initiatives the main area of application of such enterprises has been to become active in areas where private firms cannot be found (additionality principle).

The major finding of ERGO 1 on project design, delivery and implementation was to stress the importance of local network structures to exploit more fully the economic, cultural and institutional frameworks within which local projects operate. Targeted programmes on the long-term unemployed need to co-ordinate between the needs of employers, personal needs of individuals and communities which sometimes have conflicting demands on labour market programmes. Employer involvement is necessary at least at two levels; (1) for the wider area development objectives and (2) for training and subsequent hiring opportunities of programme participants (Tilling 1993).

²³ For a more extensive listing of country evaluations compare Schmid, Schömann (1994), Schömann (1993) and OECD (1993 pp.53-67) which include counterfactual studies of both experimental or quasi-experimental design of other OECD countries as well.

Despite the difficulties involved in an adequate evaluation of labour market initiatives most researchers agree that substitution, displacement and dead-weight effects need to be estimated to arrive at a better understanding of cost-effectiveness of measures. It is even more difficult to include an assessment of full macro-economic effects of programmes let alone possible multiplier effects in a full cycle macro-economic analysis of effects. Agreement on the higher risk for failure of too broadly targeted programmes appears to be a fair summary of the numerous evaluation attempts in the relevant literature and reviews of this literature (OECD 1993, Schmid and Schömann 1994). Put in a positive formulation we can conclude that cost-effectiveness considerations advise us to be as specific as possible about the target groups for active measures. The arising difficulty to allow comparative judgements between expenditure on reorganisation of public employment services compared to measures for the long-term unemployment highlights practical difficulties to arrive at a cost-effective choice of the much needed "balanced portfolio" of active labour market policies.

II. Fixing Priorities for Active Labour Market Policies

The above evaluation of the expected effects of active labour market policies has pointed towards the necessity to reconsider priorities of labour market expenditure. As a result of this analysis it was pointed out that the balance of active and passive expenditure would need to be shifted more in favour of truly active measures. But even among active measures attention has to be paid to choose the most adequate "portfolio" of active measures. This made it necessary, first, to review the theoretical and empirical evidence on the effectiveness of active measures and, secondly, to assess the current priority areas of active labour market policies in the Member States. In addition to the measures undertaken towards a reorganisation of public employment services we reviewed evidence on the specific actions proposed in the White Paper of the Commission of the European Communities (1993 p. 134). The broad objectives advocated in the White Paper consist in strengthening the efforts to integrate the young unemployed and an intensification of efforts to reintegrate the long-term unemployed.

1. Improving Counselling and Assistance to Job-Search Efforts

The rationale for such an increase in active expenditure within the Community is based on the fact that better counselling for the unemployed will increase the intensity and efficiency of job-search of the unemployed. In case circulation of information in the labour market is insufficient the duration of unemployment is

unnecessarily increased. Better counselling of unemployed job-searchers will also enhance the possibility of employment services to propose more suitable candidates for vacancies. There is an obvious European dimension to better counselling in the case of providing more information on cross-border working within the Community, the programme for European Employment Services (EURES) has taken up this issue. All these factors taken together will avoid that the unemployed in general are considered as "outsiders" who do not pose an alternative to the employment of insiders. The likely macro-economic effect is wage moderation, followed by economic growth and an increase in the level of employment for the Community as a whole.

More intensive counselling and better allocation of the unemployed to training courses or job creation schemes are most likely to allow a downward shift of the Beveridge curve, i.e. the relationship between the rate of unemployment and vacancies. An extension of active labour market expenditure is expected to yield a lower level of unemployment for a given level of vacancies. This can be achieved both by way of an extension of counselling facilities or an increase in the efficiency of the services provided. Other forms of active expenditure allow the same mechanism but can be expected to be less direct in their effects. Usually those on training programmes and those participating in public job creation schemes are found to have a reduced search intensity for regular employment (Edin and Holmlund 1991, OECD 1993).

However, micro-economic studies of employment effects of active labour market policies and particularly increased counselling have also pointed at the possibility of substitution effects of unemployed workers among themselves, for example the exchange of reemployment of a long-term unemployed by another unemployed person with shorter duration in unemployment. Increased counselling might lead to the fact that some of the unemployed might be preferred to some others equally in unemployment. In this case more counselling would not yield the expected positive employment or wage moderation effects. Better counselling when combined with improved further training facilities or public temporary job creation will make it possible to orientate job-searchers towards courses tailored to their individual needs in order to facilitate a faster return and transition back into the core of the labour market.

Increased expenditure for public employment services needs to be coupled with an evaluation of internal efficiency of the services provided. In some Member States the unemployed are confronted with a number of different advisers on specific details of their unemployment compensation and those advising on training programmes or public job creation schemes. It might need to be reconsidered whether there is scope to unify these different aspects of the services provided to the unemployed into one organisation ("guichet

unique"). There are similar arguments in favour of "twin counter", but the essence of such proposals is to allow a closer monitoring of individual search efforts as well as improved capacities to provide detailed information on job offers and other active measures to the unemployed. Reorganisation is not a value in itself, but it needs to provide better services to the organisations' clients.

Concerning the sizeable public budgets administered through mainly public employment services it might be helpful to view and analyse the expenditure patterns within the Member States from the perspective of "portfolio" management of public funds. Funds allocated to training or public job creation schemes have opportunity costs in the sense that funds attributed to one measure will not be available to be spent on a different target. For this reason an evaluation whether the current balance of the portfolio is still adequate within a rapidly changing labour market with higher levels of unemployment is necessary from time to time.

2. Creating Opportunities for the Young and the Long-term Unemployed

As we demonstrated in part one some countries focus on apprenticeship-type of training to alleviate unemployment among the young whereby others devote more attention on wage subsidies or job creation in the public sector. There is no doubt about the fact that a better trained workforce will have more job opportunities it is capable to take up. However, a well-trained supply of labour has to be matched by the quality-level demanded on the labour market. There is reason to consider the current high levels on training efforts of the young and the long-term unemployed as little effective if jobs which are created could not make use of their enhanced skills. In this case stimulating labour demand and, probably, public job creation which still provide opportunities for on-the-job learning might be a worthwhile alternative. Such demand-side factors could well be combined with the growth initiative proposed by the Commission of the European Communities in the White Paper (1993).

For any kind of public expenditure devoted to these two target groups the share of expenditure devoted to investment-type activities should be reinforced rather than consumption-type of measures. Practically, this is to be understood as a pledge for job creation programmes which produce, for example, some public goods or public utilities. The additionality principle adds to this the consideration that labour market policies, which produce public goods should only finance those, which at current market price levels would not take place.

This has implications for competition between publicly provided goods and services and those which are provided privately. It needs to be ensured that public job creation does not create unfair competition to private firms which operate in the same market. An assessment of possibilities of a market provision of such public goods or services provided due to subsidies employment or public job creation has to take place before such schemes are introduced.

Active policies focusing on these two target groups have to incorporate both aspects income maintenance as well as active measures. Particularly at the local level policies have to provide some flexibility in their implementation according to the needs of participants. Especially those measures which are closely related to basic income maintenance and job search training for the unemployed with sometimes more than two years in unemployment have to deal with additional social concerns and probably health related issues so that further discouragement can be avoided. This is the more obvious in case the long-term unemployed have made some unsuccessful attempts to participate in active programmes earlier on (Breen 1992, Tarling 1993).

3. Towards Targeted "Design" of Active Labour Market Policies

The White Paper has already mentioned the fact that in most Member States labour market policies give the impression to evolve out of their own right rather than being actively "designed" by policy makers. The way financing of active policies is organised is largely responsible for this fact. There are a number of ways of how to achieve a better match of theoretically desirable policy intervention under the financial restriction that during periods of increasing rate of unemployment sufficient funds are available for active measures. Schmid (1994) proposes to restructure the financing of active labour market policies towards a system in which income maintenance is provided through the contributions of employees and employers, but the share attributed towards active measures is to be taken from the state or regional budget. Such a design of financing of labour market policies could avoid the widespread effect of crowding out of active spending at times of rising unemployment.

A second aspect of policy design concerns the balance between active and passive measures. This is nothing which is endogenous to the policy makers grip on labour market or state budget affairs. Part one section two demonstrates that some Member States have managed to shift the balance in favour of active measures despite increasing rates of unemployment and financial restrictions to national labour budgets. Further unexploited scope for policy design consists in the possibility to activate passive spending in the sense of introducing some aspects of investment into passive measures, either by some form of human or social capital investment, or by making sure that

active measures are really active. "Making active measures more active" could consist in raising the quality of programmes which does not always make programmes also more expensive²⁴.

4. Working against Exclusion

Labour Market Policies have also broader objectives than the target groups mentioned so far in this report. Policies enhancing the integration of women (NOW), the disabled (HELIOS) and ethnic minorities fall among the primary objectives of social as well as labour market policies. It cannot be overemphasised that to the largest extent possible active measures should particularly encourage women, ethnic minorities and the disabled in programme participation. These are elements of the quality of active programmes which reflect the concern for widely accepted and frequently endorsed preferences of social policies. Evaluations of programmes should be organised in a way that the degree of participation of these groups are automatically part of reporting and the assessment for future funding of programmes.

Some researchers have indicated that unless more women or handicapped people are involved in administration and implementation of such policies it is rather unlikely that the specific concerns of these groups are adequately taken into account. Some active programmes targeted on the labour market participation of, for example, one parent families have pointed out that the provision of day care facilities is equally important for successful programme participation and reemployment probabilities than the content of a particular course.

Conclusion

The most straightforward policy conclusion following on from the evaluation of country patterns of public expenditure on active labour market policies and the White Paper's proposals for specific actions is to redress the balance between active and passive expenditure. A more balanced distribution of financial efforts devoted to active and passive measures will allow better counselling,

²⁴ This touches on a point where evaluations of labour market policies would need to include more detailed information on programme expenditure per participant and separately for some form of capital expenditure involved in programme implementation such as buildings containing seminar rooms, or equipment used in public job creation schemes. Little research including such detailed measures on quality of programmes is currently available.

more efficient job search and suitable allocation of the unemployed to specific programmes in accordance with their individual needs. Keeping in mind the care that needs to be exercised when interpreting these data (compare section 1.2) it appears to be a reasonable suggestion that a more balanced public expenditure is working against exclusion within and from the labour market. This could be considered as a first step to reduce "the danger of not only a dual labour market but also a dual society" (White Paper p. 134).

This can be achieved through a number of activities. Some more specific concerns which have received little attention in the current debate about active labour market policies are pointed out to further the debate of more target oriented policy design. It is a common perception within the Community that there are many fruitful activities at the local and regional level which do not always receive the public attention they might deserve. Therefore, a wider dissemination of good practice examples within Member States and the Community as a whole needs to be strengthened. The MISEP and ERGO networking and partnership activities offer a useful platform for a faster spread of local initiatives to combat unemployment.

More attention could be devoted to the timing of active policies. Macroeconomic analyses (Layard and Philpott 1991, Calmfors 1994) suggest that active labour market policies are particularly likely to bring about the desired results when the economy is about to leave a recession. At the beginning of an economic recovery firms are likely to take on additional manpower and it is the role of active labour market policies to ensure that at this point in time the young and the long-term unemployed dispose of the right qualifications and are available for work, this means they have successfully completed training courses, at the first signs of a recovery which we are about to witness across Europe even if substantial increases in labour demand are not to be expected before the end of 1994.

There is still some unexploited scope in allowing more creativity in combining active labour market policies with other components of working arrangements. Part-time working, voluntary or involuntary, has been on the rise in most Member States of the Union. Further development of policies of part-time retirement, to soften transitions from work to inactivity, or part-time training and job search activities have to be pursued wholeheartedly in order to allow more of the unemployed to benefit from active policies, but also as some sort of cost-saving measure. Similarly job creation schemes or wage subsidies may be designated to part-time jobs when wage levels vary on a pro rata basis.

Part of an overhaul of active labour market policies may consist in reviewing the structure of incentives for the unemployed to search for a job and the obligations to accept available job offers. Recall programmes of the

unemployed to test their availability for work have additionally the important function of keeping public records of the unemployed and their skills up-to-date. Since active labour market programmes change in content and target groups, recall schemes offer additional opportunities to provide better information on programme availability and eligibility to the unemployed.

Additionally there seem to be unexploited possibilities to activate passive measure and to strengthen the active components of active measures, as was argued in part two of the paper. Activation of this kind could consist in enlarging the job search activities while participating in a training, job creation or other active programme. Innovative working time arrangements can be applied to labour market programmes so that combinations of training and intensive job search become a feasible alternative. This could also further the successful participation of women in labour market programmes as well as the participation of groups that have to combine different spheres of life, for example catering for elderly family members, children, or those following medical treatments at the same time. Programmes activated in this way would ensure an adaptation of the labour market to structural change while keeping the balance between economic efficiency concerns and socially desirable change.

Appendix 1: PUBLIC EXPENDITURE ON LABOUR MARKET POLICIES AS PERCENTAGE OF GDP

		PUBLIC EMPLOYMENT SERVICES	LABOUR MARKET TRAINING	Training for Unemployed	Training for Employed	YOUTH MEASURES	Measures for Unemployed Youth	Support of Apprenticeships	SUBSIDISED EMPLOYMENT	Measures for DISABLED	UNEMPLOYMENT COMPENSATION	EARLY RETIREMENT	TOTAL	Active measures	Passive measures
BELGIUM	1985	0.17	0.11	0.10	0.10	0.02	0.02	-	0.82	0.15	2.61	0.87	4.75	1.27	3.48
	1986	0.17	0.12	0.12	0.09	0.02	0.02	-	0.89	0.15	2.50	0.85	4.70	1.36	3.35
	1987	0.17	0.21	0.12	0.09	0.02	0.02	-	0.80	0.16	2.43	0.82	4.62	1.37	3.25
	1988	0.18	0.14	0.13	0.09	0.02	0.02	-	0.69	0.18	2.19	0.80	4.20	1.22	2.99
	1989	0.18	0.14	0.14	0.09	0.01	0.01	-	0.65	0.16	1.97	0.75	3.66	1.14	2.72
	1990	0.18	0.22	0.13	0.08	-	-	-	0.61	0.16	1.90	0.75	3.63	1.17	2.66
	1991	0.19	0.22	0.14	0.08	-	-	-	0.57	0.16	2.01	0.74	3.89	1.18	2.75
	1992	0.19	0.23	0.14	0.09	-	-	-	0.53	0.15	2.17	0.74	4.00	1.10	2.90
DENMARK	1986	0.08	0.44	0.32	0.13	0.23	0.23	-	0.24	0.25	2.65	1.26	5.15	1.24	3.90
	1987	0.09	0.43	0.31	0.12	0.24	0.24	-	0.21	0.26	2.67	1.24	5.15	1.23	3.92
	1988	0.10	0.29	0.17	0.12	0.25	0.25	-	0.28	0.30	2.91	1.24	5.36	1.21	4.15
	1989	0.09	0.31	0.20	0.12	0.26	0.26	-	0.31	0.32	3.21	1.26	5.77	1.29	4.48
	1990	0.09	0.27	0.17	0.11	0.26	0.26	-	0.30	0.34	3.19	1.22	5.66	1.26	4.40
	1991	0.10	0.36	0.24	0.12	0.25	0.25	-	0.36	0.37	3.49	1.25	6.19	1.48	4.74
	1992	0.11	0.40	0.27	0.13	0.30	0.30	-	0.40	0.43	3.72	1.29	6.64	1.64	5.01
	1993	0.10	0.42	0.32	0.11	0.37	0.37	-	0.50	0.49	3.56	1.33	6.77	1.88	4.89
FRANCE	1985	0.13	0.26	0.22	0.03	0.17	0.05	0.12	0.06	0.05	1.20	1.21	3.07	0.67	2.41
	1986	0.13	0.27	0.24	0.03	0.23	0.08	0.15	0.06	0.05	1.24	1.05	3.03	0.74	2.29
	1987	0.12	0.27	0.23	0.04	0.31	0.08	0.23	0.05	0.05	1.31	0.90	3.02	0.81	2.21
	1988	0.12	0.32	0.28	0.04	0.25	0.07	0.18	0.05	0.05	1.30	0.77	2.87	0.79	2.07
	1989	0.12	0.32	0.26	0.05	0.20	0.06	0.14	0.04	0.05	1.25	0.65	2.63	0.73	1.90
	1990	0.13	0.34	0.28	0.06	0.21	0.06	0.14	0.07	0.06	1.31	0.56	2.67	0.80	1.87
	1991	0.13	0.35	0.29	0.06	0.22	0.07	0.14	0.12	0.06	1.47	0.47	2.83	0.89	1.94
	1992	0.14	0.39	0.32	0.06	0.24	0.08	0.16	0.14	0.08	1.61	0.40	2.99	0.98	2.01
GERMANY (1)	1985	0.21	0.20	0.15	0.05	0.05	0.04	0.01	0.17	0.19	1.42	0.01	2.24	0.82	1.42
	1986	0.22	0.24	0.19	0.06	0.05	0.04	0.01	0.19	0.20	1.31	0.02	2.24	0.91	1.33
	1987	0.23	0.30	0.23	0.07	0.06	0.04	0.02	0.21	0.22	1.35	0.02	2.38	1.02	1.37
	1988	0.24	0.32	0.25	0.07	0.05	0.04	0.01	0.23	0.23	1.35	0.02	2.48	1.08	1.37
	1989	0.23	0.33	0.28	0.05	0.05	0.04	0.01	0.19	0.23	1.20	0.02	2.26	1.03	1.23
	1990	0.22	0.38	0.35	0.03	0.04	0.03	0.01	0.17	0.23	1.09	0.02	2.14	1.03	1.10
	1991	0.22	0.47	0.44	0.03	0.05	0.04	0.01	0.35	0.25	1.51	0.12	2.98	1.35	1.63
	1992	0.24	0.66	0.63	0.03	0.06	0.05	0.01	0.51	0.25	1.51	0.48	3.71	1.72	1.99
1993	0.25	0.55	0.53	0.03	0.07	0.06	0.01	0.46	0.25	2.02	0.58	4.19	1.58	2.60	
GREECE	1985	0.08	0.03	0.02	0.01	0.03	-	0.03	0.06	-	0.43	-	0.64	0.21	0.43
	1986	0.08	0.04	0.02	0.01	0.04	-	0.04	0.10	0.01	0.51	-	0.76	0.26	0.51
	1987	0.07	0.04	0.02	0.02	0.04	-	0.04	0.10	0.01	0.47	-	0.72	0.26	0.47
	1988	0.06	0.09	0.02	0.07	0.04	-	0.04	0.11	0.01	0.42	-	0.72	0.30	0.42
	1989	0.07	0.23	0.02	0.21	0.05	-	0.05	0.12	0.01	0.41	-	0.88	0.47	0.41
	1990	0.08	0.24	0.05	0.19	0.03	-	0.03	0.14	0.01	0.43	-	0.93	0.50	0.43
	1991	0.08	0.27	0.05	0.22	0.04	-	0.04	0.12	0.01	0.71	-	1.23	0.52	0.71
	1992	0.07	0.19	0.05	0.14	0.03	-	0.03	0.09	0.01	0.80	-	1.19	0.39	0.80
1993	..	0.15	0.01	0.14	0.04	-	0.04	0.08	0.01	..	-	..	..	..
IRELAND	1985	0.18	0.66	0.43	0.23	0.54	0.35	0.19	0.19	-	3.67	-	5.24	1.57	3.67
	1986	0.18	0.59	0.36	0.23	0.52	0.34	0.18	0.34	-	3.69	-	5.33	1.64	3.69
	1987	0.19	0.54	0.33	0.20	0.53	0.36	0.17	0.32	-	3.51	-	5.09	1.58	3.51
	1988	0.15	0.56	0.38	0.19	0.46	0.30	0.16	0.28	0.13	3.21	-	4.79	1.58	3.21
	1989	0.14	0.51	0.34	0.18	0.43	0.26	0.17	0.22	0.16	2.89	-	4.35	1.47	2.89
	1990	0.13	0.49	0.33	0.16	0.46	0.28	0.18	0.28	0.14	2.83	0.05	4.39	1.51	2.88
	1991	0.14	0.48	0.31	0.17	0.43	0.29	0.14	0.28	0.14	2.81	-	4.27	1.47	2.81
	1992	..	..	..	..	..	..	..	..	0.14	..	..	..	..	..

		PUBLIC EMPLOYMENT SERVICES	LABOUR MARKET TRAINING	Training for Unemployed	Training for Employed	YOUTH MEASURES	Measures for Unemployed Youth	Support of Apprenticeships	SUBSIDISED EMPLOYMENT	Measures for DISABLED	UNEMPLOYMENT COMPENSATION	EARLY RETIREMENT	TOTAL	Active measures	Passive measures
ITALY	1985	0.08	0.06	0.06	-	0.32	0.22	0.10	-	-	1.04	0.29	1.79	0.45	1.33
	1986	0.10	0.02	0.02	-	0.57	0.27	0.30	-	-	0.94	0.30	1.93	0.69	1.25
	1987	0.08	0.01	0.01	-	0.67	0.26	0.41	-	-	0.75	0.33	1.84	0.76	1.07
	1988	0.08	0.03	0.03	-	0.68	0.26	0.42	-	-	0.69	0.33	1.81	0.79	1.02
	1989	0.08	0.03	0.03	-	0.65	0.28	0.38	-	-	0.56	0.34	1.66	0.77	0.90
	1990	0.08	0.03	0.03	-	0.54	0.20	0.34	-	-	0.55	0.29	1.49	0.68	0.84
	1991	0.08	-	-	-	0.54	0.22	0.32	-	-	0.60	0.27	1.50	0.62	0.88
	1992	0.08	0.02	0.02	-	0.63	0.28	0.55	-	-	0.64	0.27	1.84	0.93	0.91
LUXEMBOURG	1985	0.05	-	-	-	0.11	0.08	0.03	0.13	0.29	0.31	0.74	1.64	0.56	1.06
	1986	0.05	0.03	0.03	-	0.08	0.06	0.03	0.07	0.27	0.29	0.65	1.44	0.51	0.94
	1987	0.05	0.02	0.02	-	0.09	0.07	0.02	0.07	0.27	0.31	0.73	1.54	0.80	1.04
	1988	0.04	0.02	0.02	-	0.09	0.07	0.02	0.09	0.23	0.22	0.77	1.44	0.46	0.99
	1989	0.04	0.02	0.02	-	0.09	0.06	0.03	0.02	0.17	0.18	0.58	1.10	0.34	0.76
	1990	0.03	0.01	0.01	-	0.12	0.06	0.06	0.06	0.13	0.17	0.56	1.09	0.36	0.73
	1991	0.04	0.02	0.02	-	0.11	0.06	0.05	0.02	0.10	0.25	0.52	1.04	0.28	0.76
NETHERLANDS	1985	0.08	0.18	0.18	-	0.04	-	0.04	0.06	0.71	3.19	-	4.25	1.07	3.19
	1986	0.07	0.20	0.20	-	0.04	-	0.04	0.08	0.69	2.93	-	4.03	1.10	2.93
	1987	0.07	0.21	0.21	-	0.05	0.01	0.05	0.06	0.69	2.77	-	3.65	1.08	2.77
	1988	0.08	0.22	0.22	-	0.06	0.02	0.05	0.04	0.68	2.65	-	3.73	1.08	2.65
	1989	0.08	0.21	0.21	-	0.06	0.02	0.05	0.05	0.64	2.34	-	3.40	1.06	2.34
	1990	0.09	0.21	0.20	-	0.07	0.01	0.05	0.05	0.63	2.17	-	3.22	1.04	2.17
	1991	0.15	0.19	0.19	-	0.06	0.01	0.05	0.08	0.62	2.08	-	3.19	1.11	2.08
	1992	0.15	0.19	0.19	-	0.07	0.02	0.05	0.08	0.62	2.22	-	3.36	1.14	2.22
	1993	..	..	..	-	0.08	0.03	0.04	0.12	0.62	2.40	-	..	..	2.40
PORTUGAL	1986	0.08	0.21	-	0.21	0.04	0.03	0.02	0.29	0.04	0.41	-	1.06	0.66	0.41
	1987	0.09	0.17	0.01	0.17	0.07	0.04	0.03	0.10	0.02	0.37	-	0.82	0.45	0.37
	1988	0.09	0.20	0.01	0.19	0.10	0.06	0.04	0.11	0.03	0.31	-	0.84	0.54	0.31
	1989	0.11	0.16	0.01	0.15	0.18	0.08	0.09	0.09	0.03	0.28	-	0.86	0.57	0.28
	1990	0.11	0.14	0.01	0.13	0.34	0.17	0.16	0.07	0.06	0.31	0.11	1.14	0.72	0.42
	1991	0.09	0.20	0.02	0.18	0.41	0.19	0.22	0.07	0.04	0.41	0.11	1.33	0.81	0.52
	1992	0.09	0.30	0.05	0.25	0.48	0.19	0.29	0.04	0.05	0.57	0.11	1.64	0.96	0.68
1993	0.11	0.25	0.04	0.21	0.38	0.09	0.28	0.10	0.05	0.89	0.11	1.90	0.89	1.01	
SPAIN	1985	0.09	0.02	0.02	-	-	-	-	0.22	0.01	2.67	0.02	3.23	0.34	2.89
	1986	0.09	0.07	0.07	-	..	..	-	0.47	0.01	2.58	0.01	3.23	0.64	2.59
	1987	0.09	0.14	0.12	0.02	..	..	-	0.42	0.01	2.49	0.04	3.18	0.66	2.53
	1988	0.10	0.17	0.14	0.03	..	..	-	0.48	0.01	2.35	0.07	3.18	0.76	2.42
	1989	0.12	0.18	0.15	0.03	-	..	-	0.49	0.01	2.22	-	3.02	0.80	2.22
	1990	0.13	0.17	0.14	0.03	-	..	-	0.45	0.01	2.42	-	3.18	0.76	2.42
	1991	0.12	0.18	0.15	0.03	0.05	0.04	-	0.40	0.01	2.75	-	3.51	0.76	2.75
	1992	0.12	0.11	0.07	0.03	0.07	0.07	-	0.28	0.01	3.07	-	3.66	0.88	3.07
	1993	0.11	0.12	0.09	0.03	0.07	0.07	-	0.19	0.01	3.46	-	3.95	0.49	3.46
UNITED KINGDOM (2)	1985	0.14	0.09	0.07	0.02	0.26	0.02	0.24	0.22	0.03	2.04	0.05	2.63	0.74	2.09
	1986	0.16	0.10	0.06	0.03	0.26	0.01	0.25	0.31	0.03	1.96	0.03	2.85	0.86	1.99
	1987	0.16	0.11	0.07	0.03	0.26	0.01	0.25	0.30	0.03	1.59	0.02	2.45	0.85	1.60
	1988	0.15	0.16	0.13	0.03	0.24	0.01	0.23	0.18	0.03	1.12	0.01	1.88	0.76	1.13
	1989	0.14	0.24	0.22	0.03	0.23	0.01	0.22	0.03	0.02	0.85	-	1.52	0.67	0.85
	1990	0.14	0.23	0.20	0.03	0.19	-	0.18	0.02	0.03	0.95	-	1.84	0.61	0.95
	1991	0.15	0.17	0.15	0.02	0.18	-	0.18	0.02	0.03	1.38	-	1.94	0.56	1.38
	1992	0.18	0.15	0.13	0.02	0.13	-	0.13	0.02	0.03	1.28	-	1.79	0.51	1.28
	1993	0.21	0.14	0.12	0.02	0.12	-	0.12	0.02	0.03	1.23	-	1.75	0.52	1.23

Data Source: OECD Employment Outlook various years and MISEP Reports

(1) as of 1991 Germany West and East

(2) data refer to budget years 1985-86, etc.

References:

- Bean, C. (1993): European Unemployment: A Retrospective, London School of Economics, Centre for Economic Performance, mimeo.
- Björklund, A. (1990): Unemployment, Labour Market Policy and Income Distribution, in: I. Persson (ed.) *Generating Equality in the Welfare State: The Swedish Experience*, Norwegian University Press, Oslo.
- Breen, R. (1992): Job Changing and Job Loss in the Irish Youth Labour Market: A Test of a General Model, in: *European Sociological Review* Vol.8 No.2 pp. 113-125.
- Buigues, M. et al. (1993): *Creation d'Emploi dans les Services Abrisés par un Abaissement du Goût Salarial*, Brussels Commission of the European Communities Internal Document.
- Calmfors, L. (1994): *Active Labour Market Policy and Unemployment - A Framework for Analysis of Crucial Design Features*, working paper OECD.
- Charraud, A. (1992): Politiques d'aide à la reinsertion au cours de la décennie 80. in: *Ministere du travail, de l'emploi et de la formation professionnelle. "Vécu et devenir des chômeurs de longue durée" Document travail-emploi.*
- Commission of the European Communities (1993): *Growth, Competitiveness, Employment - The Challenges and Ways forward into the 21st Century*, White Paper, Bulletin of the European Communities Supplement 6/93.
- Edin, P.A. and Holmlund B. (1991): Unemployment, Vacancies and Labour Market Programmes: Swedish Evidence, in: Padoa-Schioppa, F. (ed.) *Mismatch and Labour Mobility*, Cambridge University Press, Cambridge.
- Gautié, J.; Gazier, B. and Silvera, R. (1993): *Les Subventions à l'Emploi: Analyses et Experiences Européennes*, Ministère du Travail, de l'Emploi et Formation Professionnelle.
- Grubb, D. (1993): *Some Indirect Effects of Active Labour Market Policies in OECD Countries*, mimeo, OECD Paris.
- Höcker, H. (1994): *The Organisation of Labour Market Policy Delivery in the European Union*, in: *InforMISEP Policies* no. 48, pp. 26-35.
- Ingerslev, O. (1993): *Job-creation and Training: A Fixed Effect Model*, in: *Ministry of Labour, Denmark: Measuring Labour Market Measures - Evaluating the Effects of Active Labour Market Policy Initiatives* pp.201 - 215.
- Jackman, R. and Lehmann, H. (1990): *Working Paper No. 13*, London School of Economics.
- Kraft, K. (1994): *An Evaluation of Active and Passive Labour Market Policy*, FS1 94-208, Wissenschaftszentrum Berlin für Sozialforschung.
- Layard, R. and Philpott J. (1991): *Stopping Unemployment - Employment Institute London.*

- Layard, R.; Nickell, S. and Jackman, R. (1991): Unemployment. Macroeconomic Performance and the Labour Market, Oxford University Press.
- Lindley, R.M. (1993): Generic Evaluation in the Context of the European Social Fund, paper presented to the Colloque sur l'Évaluation des Politiques d'Emploi, Paris September 1993.
- Mahy, B. (1993): Evaluating Employment Programmes in the Walloon Region, paper presented to the Colloque sur l'Évaluation des Politiques d'Emploi, Paris September 1993.
- OECD (1990): Labour Market Policies for the 1990s. Organisation for Economic Co-operation and Development, Paris.
- OECD (1993,1994): Employment Outlook, Organisation for Economic Co-operation and Development, Paris.
- Pressman, S. (1994): The composition of government spending: does it make any difference? in: Review of Political Economy Vol. 6 No.2 pp.221-239.
- Schmid, G.; Reissert, B. and Bruche G. (1992): Unemployment Insurance and Active Labour Market Policy, Wayne State University Press.
- Schmid, G.; Schömann, K. (1994): Institutional Choice and Flexible Coordination - A Socioeconomic Evaluation of Labor Market Policy in Europe, in: Schmid, G. et al. Labor Market Institutions in Europe Sharpe, New York, S.9-57.
- Schmid, G. (1994) Übergänge in die Vollbeschäftigung Perspektiven einer zukunftsgerechteren Arbeitsmarktpolitik, in: Aus Politik und Zeitgeschichte Beilage zu Das Parlament 12-13/94.
- Schömann, K. (1993): Focusing on the Micro-Level, in: Ministry of Labour, Denmark: Measuring Labour Market Measures - Evaluating the Effects of Active Labour Market Policy Initiatives pp. 141-166.
- Schömann, K.; Rogowski, R. and Kruppe, T. (1995): Fixed-Term Contracts and their Impact on Labour Market Efficiency and Individual Job Careers in the European Union. unpublished manuscript forthcoming, Wissenschaftszentrum Berlin für Sozialforschung.
- Tanguy, L; Jobert, A and Marry, C. (1994): Colloque Européen, Education - Travail, Etat d'un Champ de Recherches dans trois Pays Européens: Allemagne, Grande-Bretagne, Italie, forthcoming IRESCO-CNRS Paris.
- Tarling, R. (1993): Evaluating Action Research Programmes, in: Ministry of Labour, Denmark: Measuring Labour Market Measures - Evaluating the Effects of Active Labour Market Policy Initiatives pp. 295-326.
- Walwei, U. (1991): Job Placement in Europe -An International Comparison, in: Intereconomics Sept./Oct. 1991 pp.248-254.

