



Active Labour Market Policies

KEY MESSAGES



- 1** The efficiency and effectiveness of active labour market policies (ALMPs) needs to be improved. More money alone will not result in higher labour market integration rates. Therefore, public employment services (PES) and unemployment benefit systems should be reformed, where necessary. Cooperation between PES and private employment services needs to be strengthened and stronger involvement of social partners harnessed, where appropriate.
- 2** Mutual learning between PES and benchmarking can play an important role in improving the performance and cost-effectiveness of ALMPs and in identifying how best to reform them to this effect.
- 3** Central to effective and sustainable integration measures is the need to better take into account employers' needs, notably in terms of skills, when designing and providing support measures as well as in evaluating and improving them.

WHAT DOES BUSINESSEUROPE AIM FOR?



- The labour market integration of job seekers through policies that support employability and address companies' skills needs through efficient, effective and integrated support measures. This also requires better coordination between employment policies and education and training policies.
- Greater emphasis on the role of ALMPs, complementary to passive labour market policies, in terms of the role that they can play in facilitating transitions between jobs, sectors and geographically. Together with the better matching of people with available work opportunities these issues are crucial for creating an enabling environment for companies and workers.

POSITION PAPER
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General comments

1. ALMPs involve a variety of instruments and measures such as public and private employment services, in-work incentives, incentives to start up a business, job-sharing, job rotation, training, or special assistance for certain groups in the labour market. On the other hand, passive labour market policies (PLMPs), such as unemployment benefit, provide partial or full income support while someone is out of work or underemployed;
2. Both active and passive policies are important. A balance between the rights and responsibilities of job seekers should be struck in-so-far as passive means of support should be conditional upon individuals actively looking for work, including taking part in reasonable activation measures, as appropriate;
3. The overarching starting point for BusinessEurope is the need to recognise the vital importance of ALMPs and the need for them to anticipate labour market needs and to be reactive to the wider economic and labour market context in which they are provided. This includes the policy priorities of fostering employment, economic growth and job creation; the modernisation of education and training systems through creating a better alignment with labour market needs; changes to Europe's demographic composition requiring people to work longer; and efforts to facilitate the labour market integration of refugees and migrants;
4. This is also important for overcoming situations in which labour market integration is overly reliant on incentives. It is essential that ALMPs are effective and support employability in order to promote sustainable labour market integration and in which people are better off than if they were receiving benefits.
5. As part of the economic and labour market context, it is important to ensure labour market flexibility in which there are an appropriate number of different forms of contractual arrangements so as to simultaneously encourage employers to create jobs, to foster labour market integration, and to smoothen transitions between jobs;
6. The role that ALMPs can play in work transitions is becoming increasingly important as our economies become more digital and new forms of work are developing. This requires the reform of ALMPs to better enable them to meet current and future labour market needs. The adaptation of ALMPs can be facilitated through benchmarking their current performance and identifying improvements based on this;
7. In this respect BusinessEurope considers that there needs to be a renewal of the flexicurity approach. This includes making sure that companies have enough flexibility to adapt their workforce to changing economic circumstances, for example as concerns working time and wages, as well as the contractual form;
8. It is also about ensuring that social rights can be adapted to remain up-to-date with current and future framework conditions and new and more diverse career paths; and that the conditions are in place to foster smooth transitions between jobs, sectors and employment statuses, while respecting the diversity of industrial relations practices across Europe;

9. Having more people in work is fundamental to financing social protection systems and ensuring their sustainability. Some member states, such as France, are in fact in deficit when it comes to the financing of their unemployment benefit scheme;
10. ALMPs are designed and implemented to integrate unemployed and inactive persons within the working population and support labour market mobility. Public employment services (PES), in particular, often play the leading role in providing ALMPs. For example, across the EU, some 59% of expenditure on ALMPs is devoted to PES and training measures that they provide. Often such training focuses on supply side policies;
11. There are notable variations in the level of expenditure on active, as well as passive labour market policies (ALMPs/PLMPs). For example expenditure in ALMPs as a percentage of GDP ranges from 0.05% in Romania up to 2.09% in Denmark. Spending on PLMPs as a percentage of GDP ranges from 0.30% in Lithuania to 2.81 in Spain. This diversity may reflect various levels and prioritisation of social spending in the EU, but also suggests Member States would benefit from learning from others to achieve more cost-effective labour market policies;
12. There is a general need to improve the effectiveness and efficiency of ALMPs. To this effect, public authorities need to strengthen their cooperation with social partners and private employment services in a number of ways. These include promoting and supporting active job search and re-training opportunities that correspond with employers' needs, including as part of well-designed unemployment benefit systems that adequately balance the rights and duties of the unemployed;
13. It is also important to strengthen cooperation between public and private employment services to facilitate a better matching and placement of job seekers with job opportunities;
14. Looking at the implementation of the 2016 country-specific recommendations (CSRs) and the assessment of some of BusinessEurope's members when it comes to those CSRs and necessary reforms associated with ALMPs and PLMPs it can be noted that further efforts are needed at national level, for example:
 - In *Portugal*, there was considered to have been no significant progress with regard to effective activation of the long-term unemployed and improved coordination between employment services and social services;
 - In *Slovenia*, unemployment benefits and high taxes on labour are considered to discourage the unemployed from looking for work. Similar issues have been raised by Finnish employers as concerns incentive traps in relation to social security and labour taxation;
 - In *Poland* improving ALMPs has been identified as a key priority, particularly as concerns ensuring better access to information at the local level and improving coordination between relevant actors;
 - In *Spain* there is considered to be a need to better link ALMPs and PLMPs so as to foster and incentivise job matching;
15. It can also be noted that in the 2017 round of CSRs 12 member states received a recommendation linked to their ALMPs, while 11 received one on issues related to incentives to work, job creation, labour market participation;

Specific comments

Improving the performance and efficiency of ALMPs and the role of PES

16. There is a need to improve the performance of ALMPs in terms of employment outcomes. This concerns how national tax and benefit systems can be designed to make work pay and avoid unemployment traps; the cost-effectiveness of Member States' spending on ALMPs, including as concerns specific support measures, notably job search assistance and training provision;
17. To enhance the overall effectiveness and efficiency of ALMPs it is important to improve the capacity of PES. This can be achieved through reforming their structure and the nature of their service provision role, where needed; fostering mutual learning; and strengthening partnerships with key stakeholders, notably social partners. Such capacity building could be achieved through the exchange of views and best practices with the Heads of PES Network (HOPES) seemingly well placed to provide a forum for this. There is also a role for benchlearning in which the functioning of a PES is undertaken by people working for a PES from another member state. Stronger cooperation and mutual learning between public and private employment services is also needed;
18. As concerns the adaptation of how PES function, one example can be noted from *Italy* where the implementation of the Youth Guarantee scheme by the PES at the regional level has played a key role in bringing about a cultural change in the way in which PES provide support to people (young and adults) getting into work. This has led to PES becoming more active in taking contact with companies to learn what their needs are and how the activation and support measures could be better organised to address those needs;
19. There are also ongoing discussions in *Sweden* about how to reform the PES to make it more efficient and effective, notably as concerns the quality of training that it provides to job-seekers and to enhance job matching. In recent years efforts have already been undertaken to foster collaboration with private service providers to improve the matching process;
20. As concerns the role of partnerships and closer collaboration between PES and private employment services, this can include the out-sourcing of services from PES to private providers, creating joint pools of vacancies and joint access to CVs. Such elements are examples of what can be included in cooperation agreements between PES and private employment services. Where such frameworks for cooperation exist they have generally been found to be effective, such as in Belgium, France, Netherlands and the UK;
21. Furthermore, *Ireland's* Labour Market Council is a good example of how labour market experts, trade unions and industry leaders can work together to deliver effective and efficient ALMPs. The Council provides input to the government's 'Pathways to Work' programme, which is targeted towards helping unemployed people into work. This programme, combined with a general economy recovery, helped to reduce the long-term unemployment rate from over 9% in 2012 to 5% in 2015; and to reduce the youth unemployment rate from over 30% in 2012 to a little over 19% in 2016;
22. Crucial to the ongoing effectiveness of the programme is how it responds to the changing economic and labour market situation and, therefore, to addressing the needs of employers and job seekers. This is achieved through a systematic programme of impact evaluations;

23. Building on this example, BusinessEurope considers that the overall effectiveness and efficiency of ALMPs could be enhanced through assessing them through key performance indicators. These could include how long a person is unemployed for and is benefitting from support services. Another is how long a vacancy is left unfilled;
24. The capacity of PES is also an important factor in terms of the effectiveness of job search assistance and identifying and/or providing training. For instance, the ability to provide support and advice to job seekers over a period of time, as necessary, is more likely to increase the chances of a successful outcome than if a person has a one-off meeting with a guidance counsellor;
25. The incentive to undertake training is likely to vary depending on individual circumstances. Training can help to establish a skills set; enhance an existing skills set or re-train someone in a different field. There will also be instances where no further training is required and the default action of advice and support service providers must not be to encourage someone into training unless it is really needed. Undertaking training for the sake of it can be counter-productive and lead to individuals becoming de-motivated;
26. Any training that is undertaken needs to simultaneously add value to the existing experience, skills and competences that a person has and to correspond with employers' needs. This is important for making training efficient and cost-effective.
27. Therefore, it is important to create opportunities for people to systematically assess their skills and competences, relative to employers' needs, and to identify an appropriate training schedule, where necessary, on this basis. One example of such an approach is the Bilan de Compétences in France.
28. This provides a framework for identifying, defining, and evaluating existing skills and qualifications acquired through work, training or social experiences and if and in what form further education and training may be needed in order to be active in the labour market.
29. In this respect, a practical consideration is the relevance of the templates that are used for job profiling and ensuring that these are designed in a way that adequately reflects the characteristics and interests of individuals and the requirements and expectations of employers. This could be an issue where there would be the potential for added value in exchanges of best practices between PES and national social partners;
30. In addition to mutual learning, benchmarking also has an important role to play in improving the performance of ALMPs, including assessing the cost-effectiveness of Member States' spending in achieving employment outcomes.

Unemployment benefits and promoting employment participation

31. Coordinated, efficient and well-targeted tax, benefit and activation systems are there to help support people into work, but equally there needs to be a genuine commitment from people receiving benefits to find work. This is why closer coordination between ALMPs and PLMPs is needed. In this respect, more can be done to incentivise people to look for work. While noting that practices differ from country to country examples could include:
 - Progressively raising the level at which people start to pay tax on their earnings, as has been done in the *UK*, is one way to incentivise people to seek work. This

is a principle that could be promoted at European level to help make people better off by working;

- In *Spain* an agreement between the Government and the social partners on a special programme to activate employment, was translated into a Royal Decree-Law in 2014. The programme is aimed at the long term unemployed that are no longer entitled to contributory unemployment benefit. One of the key requirements to access this programme is to actively seek work and to be willing to accept a suitable job. In return, public employment services are committed to elaborate a personalised itinerary facilitating labour market integration.

32. It can also be noted that the Council's Employment Committee (EMCO) is engaged in ongoing work around benchmarking on "unemployment benefits and Active Labour Market Policies", which includes several positive elements so far;

33. This includes the conditionality to increase the employability of the unemployed and counteract possible disincentive effects related to the length and replacement rate of unemployment benefits.

34. As part of this there also needs to be a stronger acknowledgment of the need to balance the coverage of unemployment benefits and the level of protection they provide to the unemployed having regard to the cost to the public purse. This is important for ensuring the financing of national unemployment benefit and support schemes in the long-term, without deficits, and avoiding excessive costs for employers.

Conclusion

35. ALMPs can play an important role in helping to facilitate labour market integration. It is crucial that such support measures are not conceived in isolation of the wider economic and labour market circumstances and that their design, delivery and adaptation fully takes into account employers' needs. This will help to deliver effective and sustainable integration actions.
