# Transition from Unemployment to Work and the Role of Active Labour Market Policies during the Lisbon Strategy Period and the Economic Crisis

# Janine Leschke European Trade Union Institute, Brussels

#### **Abstract**

This paper analyses how European countries have fared in terms of labour market outcomes during the Lisbon Strategy period, and, particularly, in the first phase of the economic crisis. Focussing on transitions from unemployment to work and how these transitions can be bridged through active labour market policies (ALMPs) it aims at answering the following questions: Is it possible to observe within Europe as a whole common trends shaped by the European Employment Strategy (EES) and fostered through policy learning? Or do countries remain confined within their logic of path-dependent developments? What role has the economic crisis played? Does it constitute a break or do the countries that performed well during the EES also remain on track during the economic crisis? To answer these questions both European labour force survey data for EU27 countries and more detailed administrative data (for Denmark, Germany and UK only) will be used.

#### 1 Introduction

This paper analyses how European countries have fared in terms of labour market outcomes during the Lisbon Strategy period, and, particularly, in the first phase of the economic crisis. Is it possible to observe within Europe as a whole common trends shaped by the European Employment Strategy (EES) and fostered through policy learning? Or do countries remain confined within their logic of path-dependent developments? What role has the economic crisis played? Does it constitute a break or do the countries that performed well during the EES also remain on track during the economic crisis? A particular focus is placed on transitions from unemployment to work and how they can be bridged through active labour market policies (ALMPs). The importance of focusing on transitions between different labour market states and private arrangements (e.g. full-time and part-time

employment, unemployment, housework and caring), and particularly on the institutions and policy instruments (e.g. ALMPs, unemployment benefits, working-time arrangements, employment protection legislation, parental leave) that can foster these transitions, has been pointed out and theorised in Schmid and Gazier (2002) and Schmid (2008).

As part of the Lisbon Strategy, the European Employment Strategy (EES) defined an ambitious overall employment target of 70% for the EU as a whole, to be reached by 2010, and targets of 60% for women and 50% for older workers (55-64 years). Despite the slogan "more and better jobs and greater social cohesion", the focus was largely on quantitative targets and much less on qualitative ones. No specific targets on unemployment were formulated. As competences in the field of employment lie with the member states, an open method of coordination (OMC)<sup>2</sup> was set up to monitor and benchmark developments in terms of employment in the EU member states (cf. Zeitlin et al. 2005 and, for a more critical account, Kröger 2009). Despite the fact that some policy learning can be observed, the fact that the OMC lacks provision for sanctions strictly limits the possibilities of the EES. The new or follow-up Europe 2020 strategy was conceived in the light of the severe (labour market) impacts of the economic crisis. Despite greater emphasis on education and sustainable growth, the key areas of action (knowledge and innovation, a more sustainable economy, high employment and social inclusion) are similar to those of the Lisbon Strategy, as are the methods. The new overarching employment rate target is 75% for women and men aged 20 to 64 years and the need, if this target is to be reached, for greater participation of specific labour market groups (youth, older workers, low skilled workers and legal migrants) is pointed out in the conclusions of the European Council (26 March 2010). Guideline 7 of the Europe 2020 strategy calls upon the member states to increase labour market participation and reduce structural unemployment. To this end, member states are asked to "introduce a combination of flexible and reliable

1

<sup>&</sup>lt;sup>1</sup> In terms of qualitative targets, the Laeken indicators can be recalled (European Commission 2001). However, they are exceedingly broad, referring to "better jobs" while yet lacking some relevant components such as wages. Moreover, they were monitored in a much less transparent way than the employment rate targets (for a critical assessment and further development see European Commission 2008 and Peña-Casas 2009).

<sup>&</sup>lt;sup>2</sup> The OMC includes employment guidelines, the development of National Action Plans (later termed National Reform Programmes), joint annual reports and country-specific recommendations.

employment contracts, active labour market policies, effective lifelong learning, policies to promote labour mobility, and adequate social security systems to secure professional transitions accompanied by clear rights and responsibilities for the unemployed to actively seek work" (European Commission 6.5.2010). Thus, while both transitions and the use of active labour market policies are on the European employment agenda, the specific content remains vague.

The paper proceeds as follows. Section 1 uses the European labour force survey data in order to benchmark the developments in employment and unemployment in European countries during the Lisbon period and the first phase of the economic crisis. It also compares countries in regard to transition from unemployment to employment in the pre-crisis period (latest available data). A specific focus is put on Denmark, Germany and the United Kingdom, countries with different welfare state configurations with regard to the importance of ALMPs (high importance in Denmark, medium importance in Germany, low importance in the UK) and different experiences in terms of labour market developments during the Lisbon period (the UK and Denmark doing better in terms of unemployment) and the economic crisis (Germany doing better in terms of unemployment). Section 2 looks at the policy instrument of active labour market policies that may contribute to bridging transitions from unemployment to work. It describes the functions of and latest trends in ALMPs, taking account also of evaluation results, and compares European countries in terms of their expenditure on and participation in ALMPs during the Lisbon period. In order to overcome comparative data limitations, particularly in timeliness but also in detail, section 3 uses country-specific administrative data to look at transition dynamics and the use of ALMPs in Germany, the UK, and Denmark, in order to shed light on what has happened during the crisis in terms of transitions and active labour market policies. The analysis throughout tries to take account of labour market sub-groups, and section 3, in particular, focuses on differences between men and women in terms of transitions from unemployment to employment and participation in ALMPs.

# 2 Benchmarking EU countries: labour market outcomes and transition dynamics

This section looks at developments in employment and unemployment since the start of the Lisbon Strategy period and will focus particularly on the impact of the economic crisis on labour markets. To add a more dynamic perspective, short-term transition patterns from unemployment to employment are compared between EU countries. Specific emphasis is placed on Germany, the United Kingdom and Denmark, in order to prepare the ground for the subsequent more detailed country comparison in section 3.

### 2.1 Developments in employment and unemployment

Figure 1 shows how the EU27 performed in terms of the overall employment targets. Employment rates indeed increased from the start of the Lisbon strategy up to 2008. Employment growth was particularly strong among women (about 5 percentage points) and older workers (about 9 percentage points) and a considerable share of employment growth was due to increasing shares of part-time and temporary employment (see also European Commission 2006a: 24, 38). Corresponding with the growth of employment, from 2004 unemployment was falling. However, the economic crisis reversed these trends and led to a drop in employment rates of more than 1 percentage point and an increase in unemployment of almost 2 percentage points within one year. As a result, employment and unemployment are currently back at their 2006 and 2005 levels. As far as the ambitious Lisbon 2010 targets are concerned, total employment remains, at 64.6% in 2009, far from the 70% target, while female employment (58.6%) is relatively close to the 60% target and employment among older workers falls significantly short, despite a substantial increase to 46%, of the 50% target.

70 64,6 62,2 60 (total) 58,6 Lisbon target 50 53,7 Lisbon target (elderly) 46.0 40 empl rate 36.8 30 empl. rate (women) empl. rate 20 (elderly 13,4 10 temp. contract unempl, rate 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

Figure 1: Developments in employment indicators since start of Lisbon strategy, EU27 average

Data source: Eurostat: Labour Force Survey online data base.

Note: annual averages; data refers to persons 15-64 years if not otherwise stated.

Figure 2 illustrates that almost all countries saw employment growth over the Lisbon period and up until 2008. Particularly large increases are evident in several new member states (Baltics, Slovenia, Bulgaria and Cyprus) as well as in Southern Europe (Italy, Spain, Greece) and Germany. Despite some catching-up effects, country differences in terms of employment rates remain large in Europe. Only five countries have more than 70 percent of the working-age population in employment in 2009, namely, Germany, Austria, Sweden, Denmark and the Netherlands, followed closely by the UK. Comparatively high female employment rates in these countries largely contribute to this positive outcome, however, and in all these countries – and most particularly in the Netherlands – a large share of female employment is part-time, such that the full-time-equivalent employment rates are much lower (see e.g. Leschke/Jepsen 2009). At the other end of the spectrum, with employment rates below 60 percent, are the Southern countries and new member states, with particularly low employment rates being recorded in Italy, Hungary and Malta. Not least due to the lack of encompassing work-life balance policies such as child- and elderly care provision and flexible working time options (compare e.g. OECD 2007a), in these countries the labour market participation of women, but also that of older workers, is very low.

The economic crisis resulted in declining employment rates in all countries but Germany, Poland and Luxembourg. With falls of around 5 percentage points or more, the Baltic countries, Ireland and Spain were particularly hard hit when comparing the employment figures of 2008 and 2009. With the exception of Spain, these countries had experienced larger than average declines in GDP. Employment losses in the UK, meanwhile, were close to the EU average, whereas Denmark experienced relatively large employment losses of close to 2.5 percentage points in one year.

Figure 2: Employment rates at the start of the Lisbon strategy and crisis developments

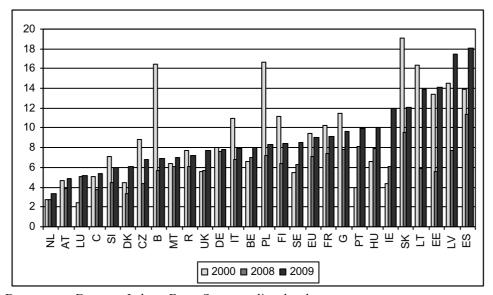
Data source: Eurostat: Labour Force Survey online data base.

Figure 3 shows that a number of countries, and particularly several new member states, had made considerable progress in terms of unemployment since the start of the Lisbon strategy in 2000; these countries are the Baltic countries, Czech Republic, Slovenia, Slovakia, Poland, Bulgaria, Finland and Italy. However, in line with falling employment, over the last two years unemployment rates have increased in all countries, least so in Germany and Luxembourg. In the Baltic countries unemployment rates more than doubled between 2008 and 2009 but also countries such as Spain and Denmark, and to a somewhat lesser degree the UK, saw large increases. Currently, the Netherlands and Austria fare best with unemployment rates of less than 5 percent while unemployment rates in Latvia and Spain surpass 17

and 18 percent and are thus considerably higher than the EU27 average of 9 percent. At similar declines in GDP, developments were very different in Denmark, the UK and Germany. Particularly Denmark, and to a somewhat lesser degree the UK, saw pronounced increases in unemployment, whereas in Germany unemployment remained close to constant. In the first quarter of 2010 all three countries had about the same unemployment rate of around 8% (not shown).

In terms of unemployment, the impact of the crisis was more pronounced for men; this is due to the fact that male-dominated sectors such as manufacturing or construction were affected more than, for example, the female-dominated public sector, at least in the short run. On the EU27 average, youth and prime-age workers as well as non-nationals were also, albeit with strong country variation, more than averagely affected (Eurostat: European Labour Force Survey, not shown).

Figure 3: Unemployment rates at the start of the Lisbon strategy and crisis developments



Data source: Eurostat: Labour Force Survey online data base.

Note: Unemployment according to ILO definition.

Between 2000 and 2008, Europe also saw large reductions in the incidence of long-term unemployment (> 12 months) taking the labour force survey data as a basis.<sup>3</sup> The average reduction

<sup>&</sup>lt;sup>3</sup> Survey data is preferable to administrative data for international comparison of long-term unemployment because it is much less sensitive to specific national institutional configurations (lengths of unemployment benefit receipt, participants in ALMPs counted as unemployed or not, etc.).

was close to 10 percentage points with long-term unemployment falling to a level of 37% of total unemployment in 2008, women on average being slightly more affected by this phenomenon than men. A number of countries (Sweden, Spain, Lithuania and Latvia) succeeded in more than halving their long-term unemployment in this period. Overall, country differences in long-term unemployment are substantial but it has to be borne in mind that long-term unemployment, disability and early retirement can function as substitutes for one another (OECD 2002). At opposite ends of the distribution we find Sweden, Denmark, Cyprus, Spain and Finland with shares of less than 20% and Bulgaria, Germany and Slovakia with shares of more than 50%; the UK, with 24.1%, also does relatively well (European Labour Force Survey, not shown). It is important to note that there is no clearcut relationship between the level of overall unemployment and the incidence of long-term unemployment. One illustration in this regard is that long-term unemployment declined in line with declining overall unemployment between 2000 and 2008, while between 2008 and 2009 a further 4-percentage-point decline in long-term unemployment was coupled with a 2-percentage-point rise in overall unemployment. Such a development may be explained by the fact that higher inflows at the beginning of an economic downturn tend to reduce the average incidence of longterm unemployment (European Commission 2009b: 77-79).

## 2.2 Transitions from unemployment to work

Table 1 shows EU27 countries' short-term transitions from unemployment to permanent and temporary employment, self-employment and inactivity for the period 2006-2007 (latest available data). The information is based on the European Union Statistics on Income and Living Conditions (EU-SILC); the labour market status is self-perceived. According to this data, in all countries except Luxembourg the majority of persons unemployed in year t are still (or once again) unemployed or inactive one year later. When it comes to transitions to employment, only in Latvia, Luxembourg and Malta were more than 40% of unemployed in employment one year later. Among others, the UK, Sweden and Estonia recorded transition rates of more than 35%. In Belgium, Germany and Italy fewer than 25% of unemployed in year t were in employment one year later.

Table 1: Transitions from unemployment for persons aged 16-64: 2006-2007 (percent of status in year t)<sup>4</sup>

	Transitions from unemployed to						
	employee-	employee-	self-employed	unemployed	inactive		
	permanent	temporary					
Belgium	10	10	2	67	11		
Czech Repub-	15	18	2	51	14		
lic							
Denmark* (p)	34u		u	30u	u		
Germany	10	8	2	67	12		
Estonia	37	2	1	46	15		
Greece*	16	17	7u	50	11u		
Spain	10	24	3	41	21		
France	11	18	3	58	9		
Italy	13	9	6	49	24		
Cyprus	27	11	12	27	24		
Latvia	30	12	4	33	20		
Lithuania	24	8	5	44	18		
Luxembourg	22	28	1	39	10		
Hungary	21	18	1	42	17		
Malta	35	5	6	37	17		
Netherlands	14	23	2	31	30		
Austria	20	8	2	55	15		
Poland	6	23	3	55	13		
Portugal	5	21	6	59	10		
Slovenia	8	16	2	54	20		
Slovakia	26	5	2	52	15		
Finland	10	18	1	53	18		
Sweden	12	25	3	30	30		
UK	28	8	4u	35u	26u		

Source: EU-SILC (taken from European Commission 2009a).

Notes: Labour market status is based on survey information and reflects the self-perceived status of the respondent.

All results should be regarded as provisional as weighting is not adjusted for non-response.

In a number of countries, particularly Spain, Luxembourg and Sweden, temporary employment plays an important role in reintegrating the unemployed into the labour market. Self-employment as a route back to employment is important only in some southern European countries, in particular Cyprus.

<sup>\*</sup>transitions refer to 2005-2006 instead of 2006-2007

<sup>&</sup>lt;sup>4</sup> Observations are flagged "u" – unreliable or data are removed in accordance with EU-SILC publication requirements because cell frequencies are too low or item-non-response is too high. In case of zero observations in a cell no flag is used. "Undefined status" results, in most cases, from item non-response in either year. Countries are flagged "p" – provisional in line with the explanations in the supporting note or with countries' reservations. Countries using a selected respondent model are flagged provisional.

Country rankings are similar if yearly EU Labour Force Survey (LFS) data is used for the period 2002-2007. The UK, Spain and Portugal perform best with transition rates from unemployment to employment of above 40% on average. Denmark, the Czech Republic and Estonia also do relatively well with transition rates of more than 35%, whereas transition rates of 25% or less are recorded for Germany, Greece, Poland and Belgium (European Commission 2009b: 63-64).<sup>5</sup>

In relation to different labour market groups, the EU labour force survey data for the period 2002-2007 shows that overall transition rates from unemployment or inactivity to employment are higher for men than for women with especially large gender gaps in Spain, Greece and Italy (particularly for transitions from inactivity). Older workers have considerably lower transition rates than younger and prime-age workers. Moreover, not surprisingly, higher educational levels are associated with higher transitions with the largest gaps in educational levels being found in the Czech Republic, the UK and Poland. Looking at developments over time, the gender gap has narrowed substantially, whereas both the age gap and the educational gap have, on average, widened since the early 1990s (European Commission 2009b: 67-69). The findings on gender, age and education are confirmed by earlier studies based on the European Community Household Panel (ECHP) data (European Commission 2004) as well as by Erhel et al. (2010) who use the Statistics on Income and Living Conditions (EU-SILC) 2006 data and who point to the importance of institutions (e.g. childcare) in supporting good transitions. The importance of country-specific policies and institutions (e.g. employment protection legislation and share of temporary workers) in determining the level of worker reallocation is also stressed as a potentially important factor in OECD (2009b).

The next section will contain a more in-depth examination of the possible role of active labour market policies in shaping labour market developments and fostering transitions. To this end, general evaluation results, including possible side-effects, will be presented together with figures on expenditure on, and participation in, ALMPs.

<sup>&</sup>lt;sup>5</sup> According to findings from the EU LFS and the EU-SILC, the UK, Denmark, Sweden, Finland and Germany (the latter country, however, not in the latest EU-SILC period) do better than the other countries as regards transitions from inactivity to employment.

<sup>&</sup>lt;sup>6</sup> Developments over time relate to findings from EU8 countries. EU8 countries are Belgium, Germany, Denmark, Greece, Spain, Italy, Portugal and the UK.

### 3 The role and focus of active labour market policies

The European Employment Strategy sees active labour market policies (ALMPs) as one important instrument (in coordination with, among others, flexible and reliable labour contracts, as well as lifelong learning) in fostering transitions from unemployment to employment. However, no clear targets are formulated. In fact, as will be discussed below, there is controversial evidence on the effectiveness of ALMPs. Evaluation results differ not only by type of programme but also between participant groups and countries (e.g. Card et al. 2010; Daguerre et al. 2009; European Commission 2006b; Martin 2000).

The OECD and the EU distinguish seven broad active labour market programmes: public employment services and administration; training; job rotation and job sharing; employment incentives; supported employment and rehabilitation; direct job creation; and start-up incentives (for details on the different categories, see e.g. European Commission 2006b, chapter 3). Countries differ greatly in the specific mix of active labour market programmes that they adopt. Looking at the EU27 as a whole, public employment services and administration, of which a primary aspect is job placement, is the most important programme in terms of expenditure. Among the genuinely active programmes, training is by far the most important, followed by employment incentives and, with a gap, by direct job creation and supported employment and rehabilitation (see European labour force survey).<sup>7</sup>

ALMPs are seen as having both positive and negative effects. They can contribute to better matching by, for example, adapting the skills of an unemployed person to the demands of the market. Secondly, they help to prevent de-qualification by keeping the skills and competences of unemployed persons up to date or even upgrading them with potentially positive longer-term effects on e.g. earnings, career prospects and the like. A third function is the motivation effect (take-up of a job under threat of programme participation) which is particularly relevant in countries which provide long-running and/or relatively generous passive benefits (on these functions compare e.g. OECD 2005, OECD 2007b;

<sup>&</sup>lt;sup>7</sup> Another rather broader distinction can be made between supply-side and demand-side policies (e.g. Meager 2008). However, it can also be useful to distinguish those ALMPs that aim to improve human capital from others of a coercive type aimed at moving people off the benefit records by way of negative incentives (e.g. Bonoli 2010). This is indicative of the wide-ranging roles for which ALMPs can be used.

Daguerre 2009). On the macro-level, and linked to the matching and motivation effect, the expectation is that ALMPs will contribute to move people off benefits and preferably into employment. However, a number of negative indirect effects have also been pointed out in the evaluation literature. Possible negative effects on the level of the unemployed are a lock-in effect when participation in active measures delays job take-up, a substitution effect when participation in a measure puts the participant at an advantage in regard to job take-up compared to a person who did not participate, and a creaming effect when those who are more job-ready are more likely to participate in active measures than those who are not. Possible negative effects on a more macrolevel are a displacement effect when a subsidised activity substitutes other economic activities, a deadweight effect when the same result could have been achieved without programme participation, and the uncertainty as to whether the benefits or outcomes of the measure will outweigh the cost (on indirect effects, see e.g. de Koning 2007; OECD 2005).

#### 3.1 General evaluation and latest trends

There is an increasing tendency to evaluate active labour market policies in order to draw conclusions as to their effectiveness; however, important shortcomings remain. The outcomes of evaluations are not clear-cut and the results depend, among other things, on the specific country context, on the labour market groups at which the measures are directed and, importantly, on the outcomes variable that is used. Thus studies that look at the impact of ALMPs on the reduction of the number of benefit recipients are likely to come up with findings different from those that assess the impact on employment integration, on improved employability or improved welfare effects such as earnings or working hours. In this regard, it is also important to distinguish between short-term and longer-term evaluation results. However, many evaluation studies assess merely the short-term impacts of ALMPs and often fail to take account of the welfare effects. What is more, the benefits of the programmes relative to their costs are very seldom taken into account (Card et al. 2010). Despite these caveats, some general assessment of different programme types is possible (compare, e.g. the meta-analysis by Card et al. 2010; Martin 2000; OECD 2005a and European

Commission 2006b, as well as – with a gender focus – Bergemann/van den Berg 2006):

- Public employment service (PES) interventions are usually assessed as having positive outcomes while being comparatively cheap. However, there may be a trade-off with job quality outcomes if job-take-up conditionality is very strict.
- Training, a comparatively expensive measure, often proves not to be effective in the short term (lock-in effect), while more positive outcomes have been observed in the medium to longer-term perspective (job tenure, earnings, etc.).
- Employment subsidies, which are usually targeted at specific disadvantaged groups, usually have positive effects on entry into unsubsidised jobs but evaluations have shown considerable deadweight and substitution effects.
- Start-up subsidies tend to help only a small segment of the unemployed (e.g. better qualified relatively young men) and they also tend to be connected with deadweight losses.
- Direct job-creation programmes seldom contribute to reintegration into regular employment; here it is particularly important to target the most disadvantaged groups.
- Youth measures often show poor evaluation results, which is explained by, among other things, poor attitudes towards work among disadvantaged youth; this calls for early and continuous intervention.

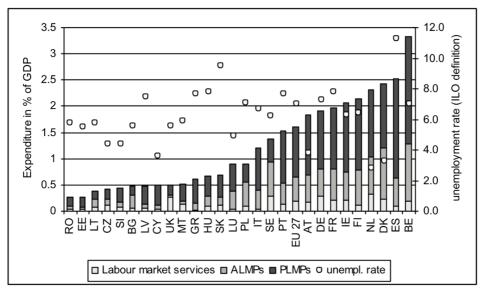
The last two decades have seen a number of new trends and shifts in terms of active labour market policies. A stronger linking of passive and active benefits, through activation or workfare strategies which make benefit receipt conditional upon job search and/or participation in ALMPs, has been high on the agenda in various countries (see OECD 2005a; 2007b). The focus has thus shifted to strengthening public employment services, often including obligatory repeated interviews, and in many cases financial incentives to work (e.g. in-work benefits) have been strengthened at the same time (OECD 2005b). In addition, prevention (early intervention with the aim of rapid re-integration of

the unemployed into the labour market) has been placed high on the agenda and screening and profiling methods (often at the initial interview) have been used in this regard, not least for the purpose of devising individually tailored actions (OECD 2002). Two further important trends have been the shifting of responsibility from public to private providers, including greater self-responsibility on the part of the unemployed (e.g. use of training vouchers) and the devolving of responsibilities for ALMPs to lower levels with better knowledge of local and regional demands. Last but not least, in an attempt to target the inactive population, several countries, and particularly the UK, have opened or extended their active programmes to broader groups going beyond registered unemployed (Carcillo/Grubb 2006; Meager 2007). Such efforts have also included strategies to tackle multiple barriers to employment.

# 3.2 Expenditure on and participation in active labour market policies

EU countries differ markedly in the amount they spend on active and passive benefits as a share of GDP. Expenditure on active measures including employment services ranges from as low as 0.07% of GDP in Estonia to 1.3% in Belgium (2008 data, latest available) (Figure 4). In addition to Belgium, only the Netherlands and Denmark spend more than 1% of GDP on active labour market policies, and these were the two countries with the lowest unemployment rates in 2008. In the cross-country perspective, there is indeed no link between unemployment rates and expenditure on passive and active measures (Figure 4). There is, however, a clear division between new and old member states, with the new member states spending considerably less on passive and active policies than most of the old member states, with the notable exception of the United Kingdom and Greece, both of which also have very low expenditure on both passive and active benefits. The UK stands out in that it spends considerably more on labour market services and administration than on passive and particularly active benefits. On average, expenditure on passive benefits (out-of-work income maintenance and early retirement) is more than double the expenditure on active benefits. In only six countries (Lithuania, Czech Republic, UK, Bulgaria, Poland and Sweden) are active programmes including PES more important than passive ones. Of these six countries, only Sweden is among the higher spending countries.

Figure 4: Expenditure on passive and active labour market policies, 2008



Data source: Eurostat: Labour market policy online data base.

Contrary to the focus on ALMPs in the European Employment Strategy, in 2008, with few exceptions, countries were spending less, as a percentage of GDP, on ALMPs (excluding PES) than in 2000; some countries were also spending less in passive benefits - notably Sweden and Denmark. In some countries (e.g. Denmark, Germany, Netherlands and Sweden) the difference in expenditure between 2000 and 2008 is substantial even when we take account of developments in unemployment rates (compare Figure 5). Particularly for high-spending countries, this trend was already observed since the mid-1990s (compare European Commission 2006: 128). Decreasing total expenditure on ALMPs may also reflect the fact that the objectives, and thereby the dominant type of ALMPs, change over time. In this regard, Bonoli (2010) distinguishes three different periods in relation to the use of ALMPs: first, the 1950 and 1960s, with a focus on human capital investment in the light of labour shortages; secondly, the period following the oil shocks of the early and mid-1970s with persistent high unemployment characterised by policies to keep people busy and sustain human capital; and thirdly, the period

<sup>&</sup>lt;sup>8</sup> Data for 2000 and 2008 is only available for 13 EU15 countries.

since the mid-1990s with a focus on facilitating the labour market re-entry of unemployed and inactive persons via, in particular, employment assistance and incentives. The finding of declining importance of training and increasing importance of public employment services from the early 1990s to the mid-2000s is also confirmed by de Koning (2007).

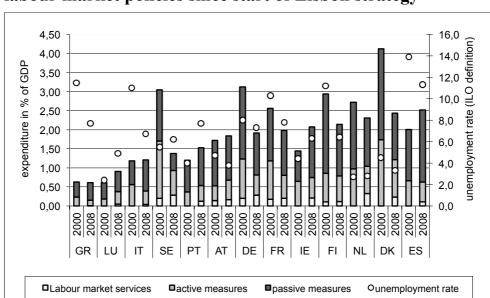


Figure 5: Developments of expenditure on passive and active labour market policies since start of Lisbon strategy

Data source: Eurostat: Labour market policy online data base.

Note: Information on labour market services missing for 2000 in DK, IE, GR, ES, IT, LU, NI PT

Besides expenditure, another important question is how many unemployed have access to active measures. On the OECD average<sup>9</sup>, in 2008, 3.85% of the labour force participated in active measures (OECD statistical extracts). The figures range from as low as 0.3% of the labour force in the UK to 12.1% in Spain (Table 2). There is no clear-cut relationship between the level of expenditure and the share of participants in ALMPs in the labour force, indicating that the intensity of measures varies markedly between EU countries. Judging from the differences in the expenditure and participant figures, Denmark, Sweden and Finland, for example, seem to use more costly and/or longer-term measures than Belgium or particularly Spain. In line with declin-

<sup>&</sup>lt;sup>9</sup> The OECD figures are used here because Eurostat currently provides only absolute ALMP participation figures and figures on activation as share of the number of persons wanting to work

ing expenditure in most countries, the number of participants remained stable or decreased between 2000 and 2008. 10

Table2: Participants in active programmes as percentage of the labour force, 2007

	AT	BE	CZ	DK	FI	FR	DE	GR	HU	IE
2000	3.4	10.11	:	4.96	3.83	6.86	3.7	4.97	:	6
2008	4.21	10.97	0.93	5.06	3.37	5.49	3.72	0.87	1.62	3.2

	IT	LU	NL	PL	PT	SK	ES	SE	UK	OECD av.
2000	7.47	:	5.29	:	:	:	:	9.74	0.44	:
2008	5.82	6.54	3.74	4.58	2.96	3.4	12.1	2.77	0.3	3.85

Data source: OECD stat.extracts.

#### 3.3 ALMPs and the crisis

In the light of the lack of comparative up-to-date data, it is difficult to draw conclusions on the use of ALMPs as a response to rising unemployment in the crisis. Although the fiscal stimulus packages in most countries included labour market and social policy measures, additional funds for labour market programmes were in most cases rather limited (OECD 2009a). 11 On the other hand, a number of countries temporarily amended their regulations in order to make passive unemployment benefit coverage more comprehensive (see Eurofound 2009). Both countries with traditionally high and those with low spending on labour market policies face challenges in providing the same level of benefits in the face of sudden increases of unemployment. A crucial question in regard to delivery is the staffing to unemployed ratio, which varies considerably between countries (Consejo Económico y Social España 2009: 321-322), and the possibility of increasing PES staffing levels quickly to meet fast increasing caseloads. Moreover, there is also a danger that the need to pay out passive benefits will lead to a crowding out of active benefits. There is evidence on this for Spain (Consejo Económico y Social España 2009: 318), while the 2007 and 2008 expenditure figures for the countries that were affected by the crisis early on (the

<sup>&</sup>lt;sup>10</sup> Data is available for only 12 of the EU15 countries.

<sup>&</sup>lt;sup>11</sup> It can be assumed that countries where ALMP expenditure automatically increases with unemployment (Denmark and Switzerland) will be better off in this regard (OECD 2009a: 71). This is likely to be also true of countries where ALMPs are financed from general taxes rather than contributions.

Baltics, Spain, Ireland, Italy and UK) also provide some evidence of this crowding-out effect. In almost all countries expenditure on passive benefits increased markedly within one year, whereas, for the majority of them, no parallel increase in active expenditure can be observed. Estonia and Ireland are exceptions, showing slight increases in active spending, whereas expenditure on active measures has fallen markedly in Lithuania and Latvia (Eurostat: Labour market policy online data base, results not shown). Another crucial point that will limit the impact of ALMPs, at least in the short term, is the fact that, except for placement activities (which will be of limited effectiveness in times of low demand), many ALMP measures are used only after an extended period of unemployment. In fact, Leschke and Watt (2010) show that the use of short-time working or temporary lay-off schemes has been particularly successful in keeping unemployment down and employment up in the current crisis whereas, at least in the short run, ALMP measures have played a much smaller role in containing unemployment.

# 4 Transitions and active labour market policies in the crisis in Germany, the United Kingdom and Denmark with a focus on gender

This section uses country-specific administrative data to look at transition dynamics and the use of ALMPs during the crisis in Germany, the UK and Denmark. Due to different definitions used in the data, which are also shaped by the underlying benefit systems, the results for the three countries are not strictly comparable. As section 2 showed, all three countries have employment rates well above the EU27 average, with Denmark performing best. Denmark applies a strong activation policy (despite cutbacks in active measures over the last decade) with obligatory activation after a maximum – depending on the age of the beneficiary – of nine months of benefit receipt (OECD 2010: 122). This is coupled with relatively generous passive benefits that are granted on an individual basis. The United Kingdom, by contrast, places a strong focus on job placement activities, with gen-

Also due to data restrictions, it is not always possible to look at exactly the same time periods, even for different indicators within the same country.

13 The reduction of the unemployment benefit point from 4 to 2.

<sup>&</sup>lt;sup>13</sup> The reduction of the unemployment benefit period from 4 to 2 years has recently been announced.

uine active labour market policies playing hardly any role. Moreover, passive benefits are low and flat-rate, and means-testing sets in at an early stage. Germany takes a middle position in terms of passive as well as active benefits. Looking at the last decade, both Denmark and the United Kingdom had lower unemployment levels and fewer long-term unemployed than Germany, while displaying considerably higher transition dynamics to employment. Interestingly however, in the current economic crisis, in the face of comparable declines in GDP, Germany managed to keep unemployment down and employment up while the UK and, more especially, Denmark saw comparatively large increases in unemployment and decreases in employment.

In this section a specific focus is placed on gender differences. We saw above that women are, on average, less likely to re-enter employment after periods of unemployment. For a number of reasons, women are also likely to be disadvantaged in access to active labour market policies. First, in most countries access to unemployment benefits is a prerequisite for participation in ALMPs and women are often less likely to receive unemployment benefits due to their higher likelihood of being in flexible employment and/or negatively affected by means-testing (Leschke 2007; Alphametrics 2009). Moreover, due to their role as carer, women are often more constrained than men if it comes to full-time participation in active measures. Discrimination against women in access to active measures may also take place when they are perceived by the PES staff as a "second earner" in a household and thereby not given priority (for Germany see, e.g., Hans Böckler Stiftung 2009).

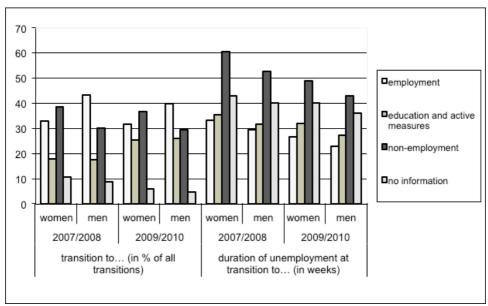
# 4.1 Germany

In Germany, the yearly average transition rate from unemployment was 22.6% from May 2009 to April 2010, including both unemployment insurance and basic benefit recipients. In the precrisis period (May 2007 to April 2008), the transition rate was slightly lower at 20.2% (BA April 2010c and April 2008b). In the crisis period, women had a share of 43% in off-flows from unemployment, whereas in the pre-crisis period their share had been 46% (BA April 2010b and April 2008a). Looking at the impact of the crisis on transitions from unemployment, measured on

<sup>&</sup>lt;sup>14</sup> For comprehensive information on the design of the benefit systems in the three countries, see Leschke2008.

all transitions a slightly smaller share of women and men now enters employment and non-employment, whereas both groups are considerably more likely than before the crisis to enter education or active measures (increase of about 8.5%) (Figure 6). For all destinations, the elapsed duration of unemployment at the specific transition decreased, on average, for both men and women.

Figure 6: Transitions from unemployment and completed duration at transition by gender, average 2007/2008 and average 2009/2010



Data source: Bundesagentur für Arbeit April 2010b and April 2008a. Note: the periods are May 2007 to April 2008 and May 2009 to April 2010

Looking at gender differences, men are more likely than women to move out of unemployment to another state (BA April 2010b). Moreover, as Figure 6 illustrates, men are, with 40% in all transitions between May 2009 and April 2010, considerably more likely to move into employment than are women (32%) who are more likely to move to non-employment (37%) than men (29%). There are only small gender differences in the access to qualification measures. The elapsed duration of unemployment at the time of transition is lower for men than for women: men spend on average 23 weeks and women 27 weeks in unemployment before entering employment and, respectively, 27 and 32 weeks before entering qualification (Figure 6).

Looking at stocks instead of flows, German women are underrepresented in genuine ALMPs in comparison to their share in unemployment, while they are somewhat over-represented in measures supporting job placement. In the pre-crisis period (November 2007), their share in employment-support measures (e.g. employment incentives and self-employment support) and employment creation measures (e.g. public works) was only around 40 percent while their share in unemployment was around 50 percent; they were relatively equally represented in qualification measures (Table 3, first and second column). With the crisis, the share of women in unemployment has decreased to about 46% (November 2009). They were only slightly over-represented in job placement measures, whereas in all the other active measures their participation was lower than their share in unemployment – this is now also true of qualification measures but the gap for this measure is relatively low.

Have the stocks in different ALMP measures changed with the crisis? Comparing 2008 and 2009 data (November) for women, large increases are evident in job placement, a measure that is less intensive and less costly than other active measures (Table 3, first column). All other measures saw declines, particularly qualification and 'other measures' (which include innovative schemes and ad hoc measures conducted at the discretion of the local public employment offices in accordance with local labour market needs).

Table 3: Participation of women in important labour market programmes: changes in weight of different programmes, 2007 and 2009 (November), and changes in stock, 2008 and 2009 (November).

	Share of women in total %		Changes between Nov. 2008 and	
			Nov. 2009 in %	
	Nov.	Nov.		
	2007	2009		
Unemployment (stocks)	50.5	45.5		
Measures supporting job placement	55.4	46.4	+35.3	
Qualification	50.1	43.8	-21.3	
Measures supporting employment (employ-				
ment incentives, support for self-employment,				
etc.)	40.1	38.5	-4.7	
Measures creating employment (public works,				
etc.)	41.5	41.2	-14.1	
Other (innovative and ad hoc schemes)	45.6	41.9	-48.0	
Sum of all instruments with one-off treat-				
ment*	43	41.4	-3.9	

<sup>\*</sup>job placement voucher, support of job placement, mobility allowance, etc.

Data source: BA Februar 2010 and BA Februar 2009.

## 4.2 The United Kingdom

We now turn to the United Kingdom. If we look at off-flows from unemployment<sup>15</sup> as a share of the stock of unemployed, in February 2010, women and men have – with respectively 20.5% and 19.0% – about the same likelihood of leaving unemployment. The pre-crisis off-flow figures are somewhat ambiguous as they were only slightly higher in February 2007 but about 10 percentage points higher in February 2008. In the past women had a somewhat larger likelihood of leaving unemployment than men (Office for National Statistics, Nomis). Figure 7 illustrates the transition dynamics: the majority of both men and women move to employment; however, as in Germany, the share of transitions to employment in all transitions is higher for men than for women (70.8% versus 63.6% in February 2010). Also off-flows to training are more numerous among men, whereas women are more likely to leave JSA to claim another benefit (e.g. incapacity benefit or income support).

<sup>&</sup>lt;sup>15</sup> This refers to claimants of the job-seekers allowance (JSA). Compared to their share in overall unemployment, women are much less likely than men to claim JSA.

The 2007 and 2010 (both February) comparison shows that, in contrast to Germany, for both men and women transitions to employment are more important during the crisis (Figure 7). While it may, at first sight, appear contradictory that this should be the case in times of crisis, it can perhaps be explained by a different profile of unemployed in the crisis (more unemployed with higher educational levels and thus a greater likelihood of moving back into employment). In particularly, the claiming of other benefits is now less frequent, as are flows from unemployment to government-supported training. The gender difference in transitions to employment has slightly increased in favour of men, whereas the gender difference in transfers to government-supported training has decreased.

100% other reason\* 90% 80% Ceased claiming 70% 60% ■ Transfer to govt-50% supported training 40% 30% □ Claimed other benefit\*\* 20% 10% ■ Found w ork w omen w omen 2007 (February) 2010 (February)

Figure 7: Transitions from unemployment (JSA claim) as share of all transitions by gender

Data source: ONS nomis (claimant count), download on 31.3.2010.

Note: The percentage of off-flows with a 'not known' or 'failed to sign' destination is very high (e.g. 44% of total UK off-flows in July 2009).

The median unemployment duration at off-flows to work was 11.5 weeks for men and 10.6 weeks for women in February 2010; in contrast to Germany, women thus do somewhat better than men in this respect in the UK. Also in contrast to Germany, the median unemployment duration at off-flow was around 2 weeks longer than in 2007 for both groups (Office for National Statistics, Nomis). Median unemployment duration at off-flows

<sup>\*</sup>includes e.g. back to work bonus, prison, gone abroad, gone to full-time education, etc.

<sup>\*\*</sup> income support, incapacity benefit or other

to government-supported schemes was 31.3 weeks for men and 29.1 weeks for women in 2010 (Office for National Statistics, Nomis).

Table 4 shows that women are less likely than men to participate in the main mandatory active labour market measures. 16 Their share in the New Deal for young people was around 27% in 2009 and around 19% in the New Deal 25+ for adults, whereas they made up 40% of the unemployed (but only 28% of jobseekers allowance claimants!). The New Deal 25+ is mandatory only after 18 months and it is likely that, due to early (after 6 months) and strict means-testing, many women are no longer eligible for unemployment benefits and hence the New Deal 25+ measure by this time. Women are better represented, however, in the Employment Zone measures which involve the pooling of funds for training, Jobcentre Plus support and benefits with the aim of helping long-term unemployed people to re-enter employment in areas characterised by consistently high levels of long-term unemployment. Not surprisingly, since they will be much more often than men considered as a partner of an unemployed person or a lone parent, women have considerably higher shares in the New Deal for partners and the New Deal for lone parents. Both programmes are voluntary and, compared to the mandatory measures, are likely to be less intensive, consisting merely of advice and assistance with job search or interview skills and/or child-care assistance.

In the crisis, while the JSA case load increased by two thirds within one year, participation in the New Deal measure for adults decreased by close to one third. This partly reflects the fact that the New Deal 25+ becomes mandatory only after 18 months of JSA receipt. Participation in the New Deal for young people – mandatory after 6 months of claiming benefits – increased by somewhat more than 10%. Finally, there has been a considerable decline also in the number of participants in the Employment Zones. In terms of the gender distribution, no clear trends are visible in the crisis.

\_

<sup>&</sup>lt;sup>16</sup> As part of an encompassing welfare reform agenda, planned before the economic crisis, the job-seekers allowance (JSA) and the New Deal programmes are currently being revised. As far as the active measures are concerned, from October 2009 the Flexible New Deal is phased in, establishing a new unified individualised and personalised approach for all job-seekers with barriers to finding work (DWP December 2009: 36; for more information see DWP 2010).

Change Aug\* 08 Aug\* 09 Aug\* 08 Aug\* 09 Aug 08\* to thousands Aug 09\* share in total JSA claimants 628.69 1072.97 72.4 72.2 New Deal 25+ 45.46 31.46 69 81.3 81.4 65.87 56.69 116 71.3 73.4 New Deal for young people 16.02 8.61 54 53.9 51.6 **Employment Zones** 1.33 1.5 113 30.9 30.4 New Deal for partners New Deal for lone parents 4.74 4.56 96 4.8 4.8 240.04 412.35 27.6 172 27.8 JSA claimants

10.48

22.83

13.73

2.97

7.21

23.86

8.08

3.43

89.65

18.7

28.7

46.2

69.1

69

105

59

115

18.6

26.6

48.4

69.6

Table 4: Participants in passive and active measures and gender share, August (October) 2008 and August (October) 2009

Data source: DWP Statistical Tabulation Tool and ONS nomis (annual population survey), download on 31.3.2010.

Note: JSA receipt is a prerequisite for participation in the majority of programmes, a notable exception being the voluntary New Deal for partners of JSA-claimants programme.

#### 4.3 Denmark

women

New Deal 25+

**Employment Zones** 

New Deal for partners

New Deal for young people

New Deal for lone parents

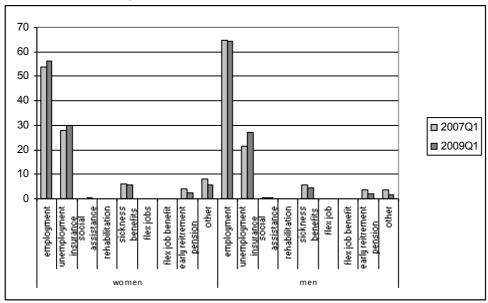
In Denmark, in the first quarter of 2009 the share of women and men who left the unemployment benefit system and had not returned within 12 months was 25% for women and 19% for men. The respective shares before the crisis (first quarter 2007) were 32% for women and 37% for men. Thus, not only are sustainable – i.e. those who do not return to unemployment within 12 months – off-flows from unemployment benefits considerably smaller during the crisis but, moreover, whereas before the crisis men were more likely to move off benefits, the situation is now reversed (data from www.jobindsats.dk, not shown).

During the six-month period following the end of benefit receipt, employment was, for both men and women, the most common of all transitions. This was true during the crisis period (2009Q1) and also earlier (2007Q1) (Figure 8). In this respect, therefore, the crisis has not had a large diverging impact. The share of transitions to employment in all transitions increased slightly for women and decreased slightly for men, whereas the importance of transitions back to unemployment increased somewhat for both sexes. As in Germany and the UK, transitions

<sup>\*</sup> Reference month for Employment Zones is October.

to employment in all transitions are more important for men (about 64% in 2009Q1) than for women (about 56% in 2009Q1). Women, on the other hand, are somewhat more likely to be back in unemployment six months after the end of their benefit entitlement.

Figure 8: Transitions from unemployment to different states by gender (state 6 months after end of benefit receipt as share of all transitions)



Data source: www.jobindsats.dk

In Denmark activation is mandatory after a maximum – depending on age – of nine months of unemployment benefit receipt. During the crisis, more than 90% of benefit recipients were activated on time; this was an improvement compared to the pre-crisis period. With shares of 87% in 2007Q3 and 93% in 2009Q3, women were somewhat more likely to be activated on time in both periods than men with shares of 83% in 20007Q3 and 91% in 2009Q3 (data from www.jobindsats.dk). Table 5 illustrates that active measures, and particularly guidance and skills upgrading activities, have gained in importance between the first quarter 2008 and 2010, albeit at a considerably slower pace than registered unemployment. No discrimination against women in regard to participation in active measures is evident.

<sup>&</sup>lt;sup>17</sup> Activation measures are offered in accordance with usually an individual action plan and include private and public job-training as well as guidance and education; non-compliance can entail sanctions (for more information refer to Kvist and Pedersen 2007).

Table 5: Participants in passive and active measures and gender share, 2008Q1 and 2010Q1

		2008Q1	2010Q1	change	2008Q1	2010Q1	
		absolute	value	2008Q1- 2010Q1	share in total		
	Registered	absolute	varue	2010Q1	Share in		
	unemployed						
	persons	29891	86283	289	48.9	64.3	
	Social benefits	29792	37300	125	41.2	44.2	
	Guidance and						
	activities up-	1=000	20025	4.60	20.	<b>-</b> 00	
_	grading skills	17923	30025	168	39.7	50.8	
men	Subsidized						
u	employment	36273	42079	116	46.2	46.0	
			T	1	1	,	
	Registered un-						
	employed per-						
	sons	31223	47912	153	51.1	35.7	
	Social benefits	42560	47044	111	58.8	55.8	
	Guidance and						
	activities up-						
ıen	grading skills	27195	29080	107	60.3	49.2	
women	Subsidized em-						
8	ployment	42278	49396	117	53.8	54.0	

Data source: Statistics Denmark.

Note: ALMP programmes are the same for unemployment benefit and social assistance recipients.

### 4.4 Comparing the three countries

The above analysis confirms that the three countries retain their traditional logic: Denmark and the UK with more transitions (than Germany) towards employment – albeit fostered by very different mechanisms (relatively early mandatory activation with qualification elements in Denmark versus employment take-up as a matter of force (coercion) in the light of very low passive benefits and early means-testing in the UK). With respect to ALMPs, we have to highlight, first of all, the very different overall value they are accorded, again with Denmark placing most emphasis on these measures, followed by Germany and with the UK quite some way behind. None of the three countries have seen their active measures increase at the same speed as their unemployment benefit case loads. In fact, in the UK and Germany most categories of measures have diminished, giving some momentum

to the crowding-out hypothesis. It is also important to keep in mind, however, that active labour market policies are commonly offered to the unemployed only after an initial period of benefit receipt. In contrast to employment-sustaining measures (as these have been used to a large degree in Germany with the Kurzarbeitergeld), they will thus become effective only with a time lag. We would therefore assume that Denmark will, in the longer run, fare qualitatively better than the UK. The effectiveness of ALMPs in the crisis will also depend, however, on the kind of measures that are offered. In times of slack demand, employment subsidies are likely to be less effective than measures to upgrade skills. Where gender differences are concerned, the countryspecific analysis confirmed that women are less likely than men to move from unemployment to employment, though the crisis has seen some improvements in their position in this respect. At the same time, in the UK and Germany, but not in Denmark, women are underrepresented in active labour market measures – the crisis having exerted no apparent impact in this respect.

#### 5 Conclusions

By setting overall employment rate targets, the employment strand of the Lisbon strategy, as well as the follow-up EU2020 strategy, are strongly focused on employment growth and much less on more qualitative aims such as job quality or social cohesion, albeit with some improvements in regard to the latter in the EU2020 strategy.<sup>18</sup> The prescriptions concerning labour market institutions and policies (e.g. passive and active labour market policies) that may contribute to increasing employment and decreasing unemployment by way of, among other things, fostering transitions remain vague. This is hardly surprising insofar as interactions between the different policies and institutions, which include active labour market policies (ALMPs), unemployment benefits, employment protection legislation (EPL) and regulation of temporary employment, are highly complex and anything but clear (compare e.g. de Beer/Schils 2009; European Commission 2006b). Not only do countries differ from one another, and over time, in terms of whether they emphasise one form of policy over

\_

 $<sup>^{18}</sup>$  In contrast to the Lisbon Strategy, the follow-up EU2020 strategy includes a poverty reduction target.

another; they differ also in the specific design of the policies. Moreover, the complexity of the policy design makes it very difficult to create comparative indicators that capture the policies in a comprehensive and accurate way and allow comparisons between countries and thereby conclusions as to which policy mixes prove successful in terms of labour market outcomes. The latter point can be illustrated by the example of ALMPs. Commonly, expenditure on ALMPs is used as the comparative measure, without taking account of the types of ALMP that countries use, even though we know from evaluation studies that types of ALMP differ in their effectiveness. Of course, the fact that evaluation studies on types of measures are not consistent and tend to generate different results for different programmes, countries and participant groups makes the overall assessment even more difficult.

Particularly during the second half of the Lisbon strategy, employment was indeed improving and unemployment falling, with a mix of countries doing particularly well and especially some of the new member states improving their situation. Even so, labour market outcomes remained highly diverse in Europe and, despite numerous attempts (e.g. the flexicurity debates), not a lot of policy learning was discernable. The crisis put an abrupt end to the positive developments and, while the labour market experience of countries in the crisis varies strongly, the countries that are managing best are, in many cases, not those that had been the champions in terms of employment and unemployment outcomes over the first eight years of the Lisbon Strategy. This again calls into question simple and unequivocal impacts of labour market institutions such as ALMPs, unemployment benefits or EPL. Let us illustrate this on the basis of Denmark, the United Kingdom and Germany, the countries subjected to in-depth analysis in section 4.

Both Denmark and the UK, characterised by relatively large external flexibility attributable to low employment protection legislation (OECD 2004; Venn 2009), saw substantial employment losses accompanied by growth in unemployment as a response to the crisis. Germany, at a similar decline in GDP, saw much less movement in employment and unemployment, which is in line with the superior level of internal flexibility (fostered through relatively strict employment protection legislation but also firm practices such as working time accounts). In the light of

relatively high firing costs and the fear of skills shortages after the crisis, it was attractive for German employers to make use of the short-time working scheme (Kurzarbeitergeld), an arrangement that has been in place for a long time, is financed from general unemployment insurance contributions, and was substantially extended and simplified during the crisis (Leschke/Watt 2010; Eichhorst/Marx 2009). As was the case in a number of other European countries (including Denmark but with much less flexibility on the part of the government to extend and modify the scheme in place), short-time working and temporary lay-off schemes contributed substantially to keeping employment up and unemployment down and thereby created not only internal flexibility for employers but also job and partial income security for employees (cf. Arpaia et al. 2010). While the British and Danish labour markets reacted similar in terms of flexibility, their experience with regard to security is very different. Not only is unemployment benefit receipt, and thereby income security, considerably more comprehensive in Denmark than in the UK, but also the importance of active labour market policies that enhance employability security is much larger than in the UK. However, as we saw in the last section, ALMPs take effect belatedly, unlike employment-upholding measures such as short-time work, temporary lay-offs and working time accounts, and thus have a mitigating rather than a preventative function. The reactions of countries to the crisis are thus largely path-dependent and take place within their specific institutional and policy configuration, despite the fact that some countries, particularly new member states, have newly implemented short-time working schemes, thereby exhibiting some use of policy learning.

An interesting outcome of the crisis is that countries such as Germany, which succeeded in keeping employment up and unemployment down, are suddenly put forward as "best-practice examples", whereas in previous years they were not at all at the centre of policymakers' interests. On the other hand, some doubts are arising as to the long-term sustainability of the Danish flexicurity model, insofar as Denmark was among the countries with the largest increases in unemployment and is, as yet, without any strong buffering effect of active labour market policies.

As regards the impact of the crisis on active labour market policies and vice versa, the data required for any coherent judgement in this respect is still sparse. We did, however, find some evi-

dence of crowding-out effects, as the paying out of unemployment benefits was given priority. Here the financing of passive and active benefits (whether or not from a single source) is crucial. Moreover, any positive effects of ALMPs will be observable only after a delay. As concerns the second phase of the crisis, the austerity packages recently announced in a number of countries promise nothing good insofar as labour market and social policies seem to be among the primary target areas, at least in the cases of Germany and the UK (compare Leschke and Jepsen, forthcoming).

Last but not least, the analysis of labour market outcomes, transitions, and participation in active labour market policies showed very diverse outcomes for different labour market groups with some groups being disadvantaged throughout. This emphasises the importance of placing a stronger focus on labour market sub-groups (the EU2020 document singles out women, low-qualified youth, elderly and migrants, albeit without, for the most part, setting specific targets for their integration) in order to help them improve their labour market outcomes. Such an approach calls for specifically adapted institutions and smartly designed policy measures (ALMPs and other appropriate measures such as working time policies, childcare, parental leave, and training and lifelong learning) that may help them to effect upward transitions from unemployment and inactivity to employment.

#### References

- Arpaia, A., Curci, N., Meyermans, E., Peschner, J., Pierini, F. (2010). Short time working arrangements as response to cyclical fluctuations. European Commission.Occasional Papers 64.[URL:http://ec.europa.eu/economy\_finance/publications/occasional\_paper/2010/pdf/ocp64\_en.pdf].
- Bergemann, A., van den Berg, G. J. (2006). Active Labor Market Policy Effects for Women in Europe: A Survey.IZA Discussion Paper No. 2365.
- Bonoli, G. (2010). The political economy of active labour market policy. REC-WP 01/2010. Working Papers on the Reconciliation of Work and Welfare in Europe.
- Bruttel, O. (2007). Contracting-out the public employment service: a new institutional economics perspective. In: Koning,

J., de (ed.): The Evaluation of Active Labour Market Policies: Measures, Public Private Partnership and Benchmarking. Cheltenham: Edward Elgar, 167-192.

- Bundesagentur für Arbeit (BA) (April 2008a). Analytikreport der Statistik: Analyse des Arbeitsmarktes für Frauen und Männer. Nürnberg.
- Bundesagentur für Arbeit (BA) (April 2008b). Der Arbeits- und Ausbildungsmarkt in Deutschland. Monatsbericht. Nürnberg.
- Bundesagentur für Arbeit (BA) (Februar 2009). Analytikreport der Statistik: Analyse des Arbeitsmarktes für Frauen und Männer. Nürnberg.
- Bundesagentur für Arbeit (BA) (Februar 2010a). Arbeitsmarkt in Zahlen: Frauen und Männer. Deutschland.
- Bundesagentur für Arbeit (BA) (Mai 2010). Analyse des Arbeitsmarktes für Ältere ab 50 Jahren. Nürnberg.
- Bundesagentur für Arbeit (BA) (April 2010a). Analyse des Arbeitsmarktes für Ausländer. Nürnberg.
- Bundesagentur für Arbeit (BA) (April 2010b). Analyse des Arbeitsmarktes für Frauen und Männer. Nürnberg.
- Bundesagentur für Arbeit (BA) (April 2010c). Der Arbeits- und Ausbildungsmarkt in Deutschland. Monatsbericht. Nürnberg.
- Card, D., Kluver, J., Weber, A. (2010). Active Labour Market Policy Evaluations: A Meta-Analysis. Working Paper 16173. National Bureau of Economic Research. [URL: www.nber.org/papers/w16173].
- Consejo Económico y Social España (2009). Economía, trabajo y sociedad :memoriasobre la situaciónsocioeconómica y laboral España 2008. Colección Memorias. Numero 16 [URL: http://www.ces.es/servlet/noxml?id=CesColContenido%20M 01246456337338~S8387139~NMEMORIA%202008.pdf&m ime=application/pdf].
- Daguerre, A. with D. Etherington (2009). Active labour market policies in international context: what works best? Lessons for the UK. Department for Work and Pensions. Working Paper No. 59.
- Department for Work and Pensions (DWP) (December 2009). Building Britain's Recovery: Achieving Full Employment.

- Department of Work and Pensions (DWP) (2010). Jobseekers Regime and Flexible New Deal, the Six Month Offer and Support for the Newly Unemployed evaluations: An early process study. A report of research carried out by the Policy Studies Institute and IFF Research Ltd on behalf of the Department for Work and Pensions.
- Eichhorst, W., Marx, P. (April 2009). Kurzarbeit: Sinnvoller Konjunkturpuffer oder verlängertes Arbeitslosengeld? IZA Standpunkte Nr. 5. Bonn. [URL: http://ftp.iza.org/sp5.pdf].
- Erhel, C., Guergoat-Larivière, M. (18 May 2010). Labour market status, transitions and gender: a European perspective. Working Paper.
- European Commission (2004). Employment in Europe, chapter 4 (Labour market transitions and advancement: temporary employment and low-pay in Europe).
- European Commission (2006a). Employment in Europe, chapter 1 (Panorama of the European labour markets).
- European Commission (2006b). Employment in Europe, chapter 3 (Effective European Active Labour Market Policies).
- European Commission (2008). Employment in Europe, chapter 4 (Measuring the Quality of Employment in the EU).
- European Commission (2009a). Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis: 2009 compendium, latest update 3/11.2009.
- European Commission (2009b). Employment in Europe, chapter 2 (Labour flows, transitions and unemployment duration).
- European Commission (6.5.2010). Europe 2020 Integrated guidelines for the economic and employment policies of the Member States.[URL: http://ec.europa.eu/eu2020/index\_en.htm].
- European Council (26 March 2010). Conclusions, EUCO 7/10. Brussels. [URL: http://ec.europa.eu/eu2020/index en.htm].

Hans Böckler Stiftung (HBS) (16. Dezember 2009). Jobcenter: Frauen stehen hinten an. In: Böckler Impuls, 20/2009. [URL: http://www.boeckler.de/32014 102269.html].

- Koning, J., de (2007). Is the changing pattern in the use of active labour market policies consistent with what evaluations tell us about their relative performance. In: Koning, J., de. (ed.) (2007): The Evaluation of Active Labour Market Policies: Measures, Public Private Partnership and Benchmarking. Cheltenham: Edward Elgar, 23-45.
- Kröger, Sandra (2009). The Open Method of Coordination: Underconceptualisation, overdetermination, depoliticisation and beyond. In: Kröger, Sandra (ed.): What we have learnt: Advances, pitfalls and remaining questions in OMC research. European Integration online Papers (EIoP). Special Issue 1, Vol. 13, Art. 5. [URL:http://eiop.or.at/eiop/texte/2009-005a.htm].
- Kvist, J., Pedersen, L. (2007). Danish Labour Market Activation Policies. In: National Institute Economic Review 2007, 202: 99-112.
- Leschke, J. (2008). Unemployment Insurance and Non-Standard Employment: Four European Countries in Comparison. Wiesbaden: VS Research.
- Leschke, J., Jepsen, M. (2009). Transitional Labour Markets, from theory to policy application. Can transitional labour markets contribute to a less traditional gender division of labour? CES Working Papers, No. 2009.27. Paris: Sorbonne. [URL: http://halshs.archives-ouvertes.fr/docs/00/38/45/10/PDF/09027.pdf].
- Leschke, J., Watt, A. (2010). How do institutions affect the labour market adjustment to the economic crisis in different EU countries? Working Paper 2010.04, ETUI. Brussels. [URL: http://www.etui.org/research/content/download/7645/36239/fi le/10%20WP%202010%2004%20WEB.pdf].
- Leschke J., Jepsen, M. (2011). The economic crisis challenge or opportunity for gender equality in social policy outcomes? A comparison of Denmark, Germany and the UK. Working Paper, ETUI. Brussels (forthcoming).

- Martin, J. P. (2000). What works among active labour market policies: Evidences from the OECD countries' experiences. In: OECD Economic Studies, 30, 79-113.
- Meager, N. (2007). Recent developments in active labour market policies in the UK: the shifting focus from unemployment to inactivity. In: Koning, J., de. (ed.) (2007): The Evaluation of Active Labour Market Policies: Measures, Public Private Partnership and Benchmarking. Cheltenham: Edward Elgar, 117-146.
- Meager, N. (2008). The Role of Training and Skills Development in Active Labour Market Policies. IES Working Paper WP15.
- OECD (2002). Employment Outlook, chapter 4 (The ins and outs of long-term unemployment). Paris: OECD, 189-243.
- OECD (2004). Employment Outlook, chapter 2 (Employment protection regulation and Labour Market Performance). Paris.
- OECD (2005a). Employment Outlook, chapter 4 (Labour Market Programmes and Activation Strategies: Evaluating the Impacts). Paris.
- OECD (2005b). Employment Outlook, chapter 3 (Increasing Financial Incentives to Work: The Role of In-work Benefits). Paris.
- Carcillo, S., Grubb, D. (2006). From Inactivity to Work: The Role of Active Labour Market Policies. OECD Social, Employment and Migration Working Papers, 36. Paris: OECD.
- OECD (2007a). Babies and Bosses: Reconciling work and family life A Synthesis of Findings for OECD Countries, chapter 1 (Reconciling Work and Family Life in OECD Countries: Main Findings and Policy Recommendations).
- OECD (2007b). Employment Outlook, chapter 5 (Activating the Unemployed: What Countries do?). Paris.
- OECD (2009a). Employment Outlook, chapter 1 (The Jobs Crisis: What are the Implications for Employment and Social Policy?). Paris.
- OECD (2009b). Employment Outlook, chapter 2 (How do Industry, Firm and Worker Characteristics Shape Job and Worker Flows?). Paris.

OECD (2010). The role of welfare and activation policies (chapter 4).In: Jobs for Youth: Denmark. Paris: OECD, 113-140.

- Peña-Casas, R. (2009). More and Better Jobs: Conceptual Framework and Monitoring Indicators of Quality of Work and Employment in the EU Policy Area. RECWOWE Working Papers on the Reconciliation of Work and Welfare in Europe, 6/2009.
- Schmid, G., Gazier, B. (2002). The Dynamics of Full Employment: Social Integration through Transitional Labour Markets. Cheltenham: Edward Elgar.
- Schmid, G. (2008). Full Employment in Europe: Managing Labour Market Transitions and Risk. Cheltenham: Edward Elgar.
- Venn, D. (2009). Legislation, collective bargaining and enforcement. Updating the OECD employment protection indicators.OECD Social, Employment and Migration Working Papers, No. 89. OECD publishing.
- Zeitlin, J., Pochet, P., Magnusson, L. (2005). The open method of co-ordination in action. The European employment and social inclusion strategies. Brussels: Peter Lang.

#### **Data sources**

- Eurostat: Labour Force Survey online data base (access June 2010).[URL:http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\_unemployment\_lfs/introduction].
- Eurostat: Labour market policy online data base (access June 2010).[URL:http://epp.eurostat.ec.europa.eu/portal/page/portal/labour market/labour market policy].
- Jobindsatsen. [URL: http://www.jobindsats.dk].
- OECD.Stat Extracts (access June 2010). [URL: http://stats.oecd.org/index.aspx?r=44380].
- Office for National Statistics (ONS), nomis official labour market statistics.[URL: https://www.nomisweb.co.uk/Default.asp].
- Statistik der Bundesagentur für Arbeit. [URL: http://www.pub.arbeitsagentur.de/hst/services/statistik/interim/statistik-themen/index.shtml].
- StatisticsDenmark. [URL: www.statbank.dk].