

ACTIVE LABOUR MARKET POLICIES RUNNING INTO TROUBLE

In its 1994 White Book, the European Commission assigned active labour market policies a leading role in combating unemployment. The same year, the OECD Jobs Study recommended a stronger emphasis on active instead of passive labour market policies. Employment services should be strengthened and reformed, their measures should concentrate largely on the long-term unemployed and problem groups, and their design should be improved.

However, demands for a stronger role for active labour market policies in battling unemployment were not heeded by governments in the OECD

countries. Between 1990 and 1999 spending on active labour market policies as a share of GDP only rose slightly. An increase in this share in several continental European countries such as Austria, Denmark, France, the Netherlands and Switzerland was offset by a decline in Italy, the United Kingdom, the United States and other countries (Figure 1).

There was also no shift in funding from passive to active labour market policies in the OECD as a whole. The number of countries with a shift in one direction were offset by countries where the opposite shift occurred (Figure 2). The majority of OECD countries still spend more on passive labour market policies. This spending is for unemployment compensation and labour-market-induced early retirement. The commitment of OECD countries to passive labour market policies is of course not only an expression of an unwilling-

ness to reform but also reflects the increase of unemployment in these countries which has led to an automatic increase in support payments to the unemployed.

Another recommendation of the Jobs Study deals with the restructuring of active labour market policies in terms of job placement. Such a shift occurred in the United Kingdom, Australia, and Japan and to a lesser extent in Ireland and Portugal in the 1990s. On the other hand, Austria, Spain, and Switzerland cut spending on job placement and spent the money in other areas. The OECD countries also differ with regard to the importance assigned to further training, the granting of employment subsidies, job-creation schemes and other labour-market policy measures. Some countries have cut back on these policies, others have expanded them (see Table).

At the end of the 1990s the following structure was characteristic of active labour market

Figure 1

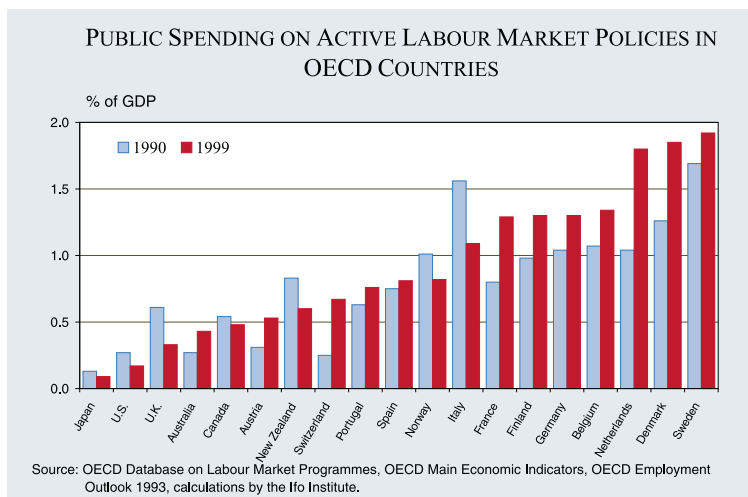
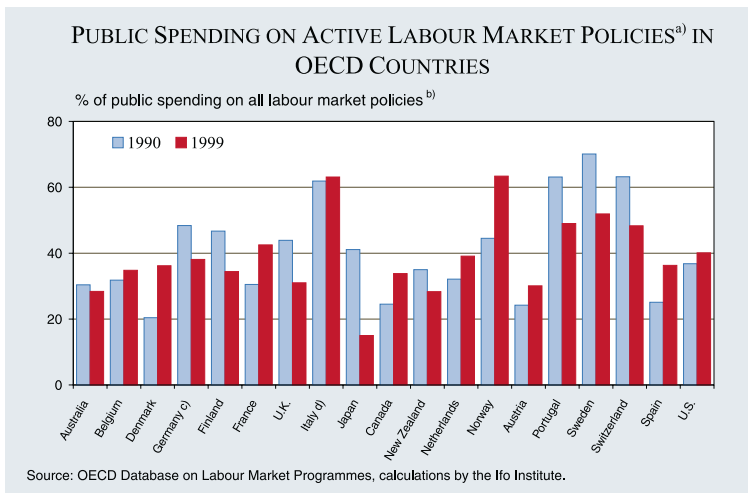


Figure 2



Public expenditure on active labour market policies in OECD countries
in %, 1990 and 1999

| | Public employment services | | Occupational training | | Employment ^{a)} subsidies | | Public job-creation | | Other measures ^{b)} | |
|--------------------------|----------------------------|------|-----------------------|------|------------------------------------|------|---------------------|------|------------------------------|------|
| | 1990 | 1999 | 1990 | 1999 | 1990 | 1999 | 1990 | 1999 | 1990 | 1999 |
| Austria | 34 | 26 | 31 | 36 | 5 | 9 | 11 | 6 | 19 | 23 |
| Belgium ^{c)} | 15 | 14 | 17 | 20 | 6 | 22 | 48 | 35 | 14 | 9 |
| Denmark | 8 | 6 | 24 | 56 | 4 | 1 | 17 | 11 | 47 | 26 |
| Finland | 11 | 12 | 25 | 31 | 5 | 13 | 40 | 15 | 19 | 29 |
| France ^{c)} | 16 | 12 | 41 | 23 | 6 | 20 | 2 | 14 | 35 | 31 |
| Germany ^{d)} | 21 | 18 | 37 | 27 | 6 | 2 | 10 | 25 | 26 | 28 |
| Ireland ^{e)} | 9 | 15 | 32 | 13 | 1 | 14 | 16 | 38 | 42 | 20 |
| Italy ^{f)} | 4 | 4 | 1 | 23 | 57 | 41 | – | 6 | 38 | 26 |
| Netherlands | 20 | 21 | 22 | 19 | 2 | 4 | 1 | 24 | 55 | 32 |
| Portugal ^{c)} | 15 | 22 | 20 | 59 | – | 2 | 5 | 10 | 60 | 7 |
| Spain | 15 | 7 | 19 | 28 | 16 | 39 | 14 | 11 | 36 | 15 |
| Sweden ^{g)} | 12 | 15 | 32 | 27 | 1 | 10 | 6 | 11 | 49 | 37 |
| U.K. ^{h)} | 29 | 43 | 34 | 19 | 0 | 0 | – | 0 | 37 | 38 |
| Norway | 13 | 19 | 36 | 6 | 3 | 1 | 15 | 0 | 33 | 74 |
| Switzerland | 83 | 27 | 13 | 22 | 1 | 16 | 3 | 32 | – | 3 |
| Australia ⁱ⁾ | 33 | 46 | 25 | 6 | 11 | 2 | – | 15 | 31 | 31 |
| Canada ^{j)} | 43 | 39 | 50 | 35 | – | 2 | 3 | 10 | 4 | 14 |
| Japan ^{j)} | 20 | 37 | 21 | 34 | 54 | 26 | 4 | 2 | 1 | 1 |
| Newzealand ^{j)} | 18 | 20 | 49 | 38 | 8 | 6 | 9 | 4 | 16 | 32 |
| U.S. ^{j)} | 32 | 34 | 34 | 22 | 2 | 2 | 3 | 5 | 29 | 37 |

a) Subsidies to regular employment in the private sector. – b) Youth measures, support of unemployed persons starting enterprises, measures for the disabled. – c) 1998. – d) 1990: West Germany. – e) 1996. – f) 1991. – g) 1990/91. – h) 1990/91 and 1997/98. – i) 1990/91 and 1998/99.

Source: OECD Database on Labour Market Programmes, calculations by the Ifo Institute.

policy spending. The U.K., Australia, Canada, Japan and the U.S. assigned great importance to employment services. Denmark and Portugal clearly focused on labour market training. Italy, Spain and Japan made strong use of employment subsidies. Public job-creation schemes were popular in Belgium, Ireland and Switzerland, whereas the Anglo-Saxon countries, with the exception of Ireland, placed little stock in employment subsidies and job-creation schemes. In Norway, labour market policies were clearly focused on “other measures”, which here primarily included assistance to the disabled.

The structure of spending gives no indication of the qualitative changes that labour market policies have undergone. Obvious changes are the end to public employment services monopolies in Austria, Denmark, Finland, Germany, and Spain and the more further-reaching measures in Australia for the establishment of a job network, which consists of 300 private and public job placement agencies. Worthy of mention is also the direct counselling of job searching unemployed in the U.K., the U.S., and other countries (linked to additional support measures and sanctions). Also important are the successes achieved in targeting job-creation schemes. Of note is also the limitation on meeting eligibility criteria for future unemployment bene-

fits by participation in job-creation schemes in Finland, Germany, Denmark, and Norway.

Even though the efficiency of labour market policies has been increased in some areas, there has been no consistent, full-scale implementation of the recommendations of the OECD and the European Commission by their member countries. Changes in the emphasis and design of labour market policies differ from country to country. This indicates that there is no one generally accepted concept for labour market policy. W.O.