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The Long-Term Unemployed and Measures to Assist Them

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N° 7

**THE LONG-TERM UNEMPLOYED AND
MEASURES TO ASSIST THEM**

PARIS 1992

DIRECTORATE FOR EDUCATION,
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

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This Occasional Paper consists of an introduction, by a member of the Secretariat, giving some general reflections on measures to help reduce long term unemployment, and a report by a group of experts from eleven Member countries and representatives of the Commission of the European Communities in which the diverse national experience is reviewed and compared. The report contains an annex in which the different measures are summarised.

* * * * *

Cette Etude Occasionnelle consiste en une préface écrite par un membre du Secrétariat pour présenter quelques considérations générales au sujet des mesures prises en vue de résorber le chômage de longue durée, ainsi que le rapport établi par un groupe d'experts venant de onze pays Membres et une représentation de la Commission des Communautés Européennes. Le rapport examine et compare les diverses expériences nationales en la matière. Un résumé des différentes mesures se trouve en annexe.

THE LONG-TERM UNEMPLOYED AND MEASURES TO ASSIST THEM

INTRODUCTION

1. Long-term unemployment has often been discussed in both national and international circles in recent years. The basis for these discussions has been analytical studies of the characteristics of the group of persons in long-term unemployment and evaluations of the attempts to facilitate their return to employment. Indeed the OECD has a considerable experience itself in this area stretching back to the 1968 report on the long-term unemployed, and including a number of articles and chapters in the *Employment Outlook* as well as the report by Evaluation Panel No. 4 (published as *Measures to assist the long-term unemployed: Recent experience in some OECD countries*, OECD 1988). Of course other international institutions have also been involved with debates and action on the subject. In particular, the European Communities have issued a number of Resolutions on Long-Term Unemployment and have undertaken a three-year Action Programme (ERGO) to ensure that there is an effective exchange of experience on different measures focusing on this target group, including the evaluation of projects according to agreed guidelines.

2. In the light of this wealth of information, it is necessary to explain at the outset why a further report has been produced on the subject. One reason has to do with the fact that, despite the amount of discussion, the problem has not gone away. Progress has been registered in some countries, but it has been uneven and has often been insufficient to bring long-term unemployment down to the levels which obtained when general unemployment was at about the same level as in the latest statistics, as shown in the latest *Employment Outlook* (OECD, 1991). This indicates that there is still scope for improvement. Those countries where the problem remains most acute could possibly benefit from studying the experience of those with the better records in this area. In particular it was felt useful, in the light of the paucity of thorough-going evaluations reported by the previous panel, and in the knowledge that new measures had been introduced for this target group, to establish a further panel to study latest progress. The publication of the latest Panel's report provides an occasion to widen the discussion and to indicate areas where it may be possible to introduce improvements or further experiments. A final reason is that the outlook for several countries is that unemployment is likely to rise in the period immediately ahead, bringing a risk that long-term unemployment may not decrease in these countries spontaneously in the short term, even though the medium-term outlook, as shown in the report *Labour Market Policies for the 1990s* (OECD, 1990) remains that labour shortages are likely to co-exist with persistent unemployment.

3. The report by the Panel makes the point that the long-term unemployed are not a homogeneous group. The observation is not new, yet it still seems to be widely believed that the group consists very largely of the old and unskilled. This may well have been a reasonably accurate generalisation at a time when unemployment was low and long-term unemployment was confined to a hard core for whom it was difficult to find jobs even though there were unfilled vacancies in the area. The reality of the present situation is more complex, with different sub-groups being identifiable. The proportion

Long-term unemployment is one of the most serious problems on the labour market in many OECD Member countries. For this reason it has been the subject of much study and exchange of experience with measures to alleviate it. The present paper contains the results of the latest exchange of experience.

It begins with an introduction by a member of the Secretariat. This is followed by the report of an Evaluation Panel made up of experts from eleven Member countries and the EEC Commission. The panel studied the experience with the most recent assessments of measures in force in the participating countries. The report was drafted by the panel's technical secretary, Mr. A.E. Webb of the United Kingdom Treasury. After considering the evolution of long-term unemployment in recent years and the policy response adopted (chapters 1 and 2), the report discusses, in chapter 3, the measures taken to encourage the search for jobs and, in chapter 4, the efforts to make this activity both more realistic and fruitful. The following chapters deal with measures to increase the levels of skills of the unemployed and ways to increase the openings available for long-term unemployed. Chapter 6 considers the measures taken to help particular groups within the population of long-term unemployed persons. The approach to evaluation is considered in chapter 7 and the group's conclusions are contained in chapter 8.

At its meeting on 29-31 October 1990, the Manpower and Social Affairs Committee recommended that both the report and its introduction be made available to a wider public.

* * * * *

Le chômage de longue durée est l'un des principaux problèmes sur le marché du travail dans la plupart des pays Membres de l'OCDE. Pour cette raison, il a souvent fait l'objet d'études et d'échanges d'expériences sur les moyens de le combattre. Le rapport qui suit présente les résultats du dernier échange d'expériences à ce sujet.

Il commence par une introduction rédigée par un membre du Secrétariat; se trouve ensuite le rapport d'un groupe d'évaluation composé d'experts de onze pays Membres et de la Commission de la CEE. Ce groupe a étudié, avec les plus récentes évaluations, les mesures en vigueur dans les pays qui ont participé à l'étude. Le rapport est rédigé par le secrétaire technique du groupe, Monsieur A.E. Webb du Ministère des Finances du Royaume-Uni. Les chapitres 1 et 2 portent sur l'évolution du chômage de longue durée, et sur la politique adoptée à son encontre; le chapitre 3 se rapporte aux mesures prises pour encourager la recherche d'emplois et le chapitre 4 se penche sur la manière de rendre cette activité à la fois plus réaliste et plus fructueuse. Les chapitres suivants traitent des mesures à prendre pour améliorer les niveaux de compétence des chômeurs et pour augmenter les possibilités d'embauche des chômeurs de longue durée. Le chapitre 6 traite des mesures prises en faveur de groupes spécifiques de chômeurs de longue durée. La politique en matière d'évaluation est examinée au chapitre 7 et les conclusions du groupe se trouvent au chapitre 8.

Lors de sa réunion du 29 au 31 octobre 1990, le Comité de la Main-d'Oeuvre et des Affaires Sociales a recommandé la mise en diffusion générale du rapport et de l'introduction.

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in which these sub-groups occur varies over time, from country to country and even within countries. The sub-groups can be defined by employment-related as well as by personal characteristics. Among the former are the long-term unemployed who are without recent experience, or without skills, or whose skills are obsolete, or so specific that they are not in demand. The latter will include factors like age and sex as well as people with physical or mental disabilities, members of ethnic minorities, ex-prisoners, persons with literacy and numeracy problems, inner city residents, the homeless and social drop-outs, persons with family responsibilities limiting their availability for employment and the like. This points to a general conclusion that measures to assist the long-term unemployed may often need to focus on alleviating conditions which are prerequisites for obtaining employment as well as on improving levels of skills and motivation.

4. There is a risk that by introducing a range of measures addressing the various problems which contribute to long-term unemployment there could be an increase in the numbers of persons seeking employment and wishing to qualify for such assistance. Whilst therefore the results of such measures could probably be positive in terms of harnessing labour reserves and promoting an active society, they may be less impressive in terms of reducing measured unemployment at least in the short run.

5. Another general point regarding measures: it is difficult for persons who have been unemployed a long time to be offered jobs when it is clear from the outset that they are members of this group. Employers are naturally reluctant to be the first to take on somebody with a long experience of failure and inactivity. To avoid "branding", it may be better not to design programmes which recruit exclusively from the long-term unemployed but to include them as one of the target groups for measures open to other groups as well. Measures also need to be designed so as to counteract negative or hostile perceptions of the long-term unemployed by employers and society generally. This point is referred to below in the section on "The role of the various actors".

THE MIX OF MEASURES

The Employment Service

6. In the Secretariat's conclusions on the work done by Panel No. 4, as published in the report referred to above, it was suggested that resources should be switched so that action to help the long-term unemployed could proceed on the basis of a strategy with relatively inexpensive measures being generalised for those at earlier stages of a spell of unemployment, whilst the heavier forms of intervention should be reserved for the more seriously disadvantaged with longer durations of unemployment. It seems that there is still room for further action in this direction. The idea of systematic interviews of all unemployed persons so that realistic plans can be developed leading to reinsertion in employment has been adopted quite widely, but has still not become standard procedure in all countries. Probably the reasons for this have to do with the lack of a range of different measures to propose to the unemployed so that their reinsertion plans can begin to be implemented and to ensure that those called for interview understand that they are being offered real help and not being subjected to harassing bureaucratic procedures with little positive content. One of the main advantages of developing

reinsertion plans is that the client receives reassurance that he/she is not rejected and left to his/her own devices. Reinsertion plans could possibly be improved if there were adequate possibilities for reference to qualified counselling services, able to assess the capacities and potential of job-seekers in the light of longer-term trends in labour demand. Another advantage is that it encourages the Employment Service and the client to make a review of the possible strategies to follow, leading to a joint commitment to the most appropriate one. Following this approach is likely to involve the Employment Service in establishing networks of agencies and organisations concerned with problems like health and housing which often make it difficult for some long-term unemployed persons to reintegrate into employment. This entails some changes in the way the service operates and in its staffing requirements.

7. In connection with the role of the Employment Service in facilitating the reintegration of the long-term unemployed, it has been suggested that the help given to job-seekers could be improved if, along with an invitation to attend for an interview for a vacant job, the Service could ensure that the long-term unemployed person had the necessary clothing to stand a reasonable chance of being successful at the interview. Such a welfare role may not be met by existing collaborative arrangements in some countries. What is needed is a system that is rapid and simple to operate, and sufficiently close to the clients to ensure that the scope for abuse is limited.

Training

8. Training in the broad sense of the term remains one of the crucial areas for new approaches and partnerships. As indicated above, some persons become long-term unemployed because they are unable to compete effectively for jobs owing to a lack of such essential prerequisites as being literate and numerate. Remedial education for such persons requires specialised teaching personnel able to gain the confidence of adults who may have records of failure in the school system. There seems no reason for this sort of instruction to be given outside the institutional framework of the education authorities. They should retain their responsibility for providing all members of society with basic education, even if it means developing new teaching methods. The task of the Employment Service is therefore primarily one of identifying those who require this sort of assistance at the earliest possible stage and ensuring that provision is made for them by the education authorities. Other persons become long-term unemployed because they lack the initial training for skilled or semi-skilled jobs. Responsibilities here depend on national circumstances. There are countries where the education authorities play a major role in equipping people with entry-level skills and others where this is more a task for the labour market agencies. No matter which approach is taken, there is a need for the training to be relevant to needs on the labour market, which means that employers have to be involved. Not only are they the best placed to know what skills are needed, they are also best placed to ensure that the training is given in a practical way which people who have spent long periods out of jobs, maybe with unhappy memories of school-based instruction, absorb because it is interesting and relevant. Countries may wish to exchange views on how best to combine the participation of employers in such training with paying due attention to the needs of the individual and to national priorities.

9. In this connection, attention is drawn to the possibilities currently being explored in some countries of providing unemployed persons with training rights or entitlements, often materialised in the form of a cheque which can be cashed at the institution of their choice to purchase a course of recognised training. The possible advantages of such a system are that it could promote competition, give greater attention to the needs of trainees and improve their motivation.

10. It is apparent that access to training should not be confined to those with established lengthy periods of unemployment, but that it should be available as soon as the need for it becomes apparent. Delaying access to training until a given period of unemployment has been served runs the risk that a greater investment will have to be made to achieve a given level of proficiency, as work-related skills and habits atrophy when not required for daily living. Those countries with established guidance and orientation services able to assess job-seekers' capacities and skills can use this service to identify such needs. Countries where the service is of insufficient size to make this sort of systematic assessment at an early stage could possibly examine the scope for greater involvement of employers and educators to provide work experience courses in which, in addition to exposing the job-seeker to different real-life work situations, there can be an assessment of needs and potential. There may be some benefit in running such courses part-time rather than full-time for persons who have long periods of unemployment so that they can combine their work experience with other forms of job-seeking activity.

Employment Creation

11. The importance given to subsidised employment creation and public sector employment has decreased in recent years generally, in line with the realisation that such jobs either do not last long in many cases, or that they provide only limited experience for private sector employment. However, there are countries which have found it useful to adopt schemes under which no person can remain unemployed beyond a certain length of time without receiving an offer of employment with a subsidy lasting a few months. The great advantage of such schemes is that they break the period of unemployment by putting people back in a normal work environment. Even if the subsidised period does not lead immediately to stable unsubsidised continued employment, it provides a more recent experience and increases prospects of fruitful job-seeking activity. Schemes of this sort have to avoid some risks, however. One of these is that, if employment is created in the private sector, the preferred solution, it may lead employers to make use of the subsidy period to obtain a flow of cheap labour, but without giving the workers engaged much useful experience when it comes to looking for other employment after the subsidy is over and they have been made redundant again. However, if employment is created in the public sector, as the "employer of last resort", the likelihood of it leading to offers of stable employment is very limited. Moreover, the possibility exists that the system may be exploited by providing a new source of funding for jobs that would in any case have to be undertaken as a charge to another operating budget. For these reasons it may be advisable to restrict schemes to jobs which contain real training elements increasing the chances of finding more stable employment.

Fraud

12. The subject of fraudulent claims for unemployment benefit and assistance by persons who are not genuinely seeking employment, and who may sometimes already be employed, has been raised by the Panel. Views are divided: whilst all agree that abuse diverts public funds from their proper purpose, some countries feel that such misuse, if tolerated, will undermine the position of the genuinely unemployed job-seekers; others fear that to give publicity to proven instances of fraud will encourage a belief that most of the unemployed are defrauders. Such countries feel moreover that the costs of uncovering fraud may outweigh the benefits. Both views can be correct, depending on national circumstances. Nevertheless, in view of the widespread finding (even in countries which view fraud as a serious problem) that the vast majority of the unemployed are genuinely anxious to get jobs, there may be dangers in giving extensive publicity to efforts to eradicate fraud in that the belief will be strengthened that the unemployed are prepared to sponge on the employed population. The best protection against fraud is to have an active and energetic Employment Service which is quickly able to assess the needs of unemployed job-seekers and propose suitable measures for them. Fraudulent applications for unemployment benefits are often related to the existence of the "black market economy" and merit further study from this angle.

THE ROLE OF THE VARIOUS ACTORS

13. Central government has a primary interest in seeing that a section of the labour force does not become marginalised and it therefore plays a major role in: devising measures; providing finance and support for measures taken by others; and in striving to get wider acceptance for the idea that the long-term unemployed represent a resource for society as a whole and not simply a burden.

14. The Panel has looked at all these different types of intervention, but it is apparent that it is the last-named which has attracted the least attention. This could indicate that perhaps some countries are overlooking the importance of providing information to the public about the scope of the problem and the value to society of the unused resource that the long-term unemployed represent. Alternatively, it could be that this type of activity, influencing public opinion, is not considered to be properly a part of employment policy. In the last analysis the problem of long-term unemployment will only be resolved when attitudes have changed so that people are engaged for what they can contribute, rather than rejected because of what they have not achieved in the past. To change attitudes which are hindering the integration of groups in the labour market can therefore be an important aspect of employment policy. Whilst action in this respect needs to impact on the employers whose hiring decisions will be crucial, they are not the only group involved. In some countries it may be possible to do more to enlist the support of trade unions, some of which may not be making the continuation of membership as easy and cost-free as possible for persons who become unemployed.

15. Particular attention could be paid to aiding those who wish to bring the long-term unemployed back into the main stream, be they charitable organisations, churches and religious groups, local interest and development groups, and, of course, the unemployed themselves. Some of these groups

undertake actions which may, in other circumstances, be provided by the employment and training agencies. Examples of actions which can have positive results at the level of individuals, in addition to the impact on general attitudes towards the unemployed, include accompanying people to job interviews, acting as tutors and guarantors for them. Retired persons have sometimes played this sort of role, which demands a considerable personal commitment and time to build up a constructive relationship capable of leading on to reintegration in employment. Some countries may wish to encourage the development of networks to exchange information about good experience in this area.

16. As regards the long-term unemployed themselves, it could be debated whether governments, in addition to the help already given to assist the long-term unemployed as individual job-seekers, should study the possibility of helping their corporate activities. This could cover such institutions as unions of unemployed, and unemployment centres. This is an area which requires delicate handling, given the political sensitivity of unemployment generally and the fact that some, at least, of the unemployed are likely to consider the government to be responsible for their plight. There is the danger that government action will be seen as an attempt to buy the unemployed out. There is also the risk that the unemployed, or political opposition, may exploit the situation. At a practical level, if credence is given to organisations representing the unemployed, it may lead to confrontations over the way the official employment and benefit services are being provided locally. Despite these risks, there could be offsetting advantages. It might help bring out unsuspected talents in the unemployed, it could increase their confidence and help prevent their isolation possibly leading to withdrawal from the labour force. It may therefore be appropriate to provide help for groups of unemployed persons to have a meeting place where they can exchange experience, engage in some basic training and job-search activity, and generally get practical help and advice. This could be an inexpensive yet socially useful addition to the range of action undertaken to deal with unemployment. The experience gained in some countries with this type of institution merits study by others with sizeable proportions of long-term unemployment.

A FORWARD-LOOKING PERSPECTIVE

17. In the context of longer-term labour market developments, it is important to ensure that long-term unemployment does not become accepted as part of the normal way of things. The Panel has looked at those measures most widely in use at present to bring people back into employment, and the above has indicated some areas in which further progress might be possible.

18. If solutions are not found to bring people back into mainstream employment, there is a danger that pressure will increase to adopt expedients which may remove people from the unemployed labour force by transferring them to early retirement, or other forms of income support (e.g. invalidity pension, long-term sickness benefit) from which it is even more difficult to escape. There is also the danger that pressure may increase to remove or reduce income support for the long-term unemployed on the grounds that their reservation wages are too high, or that they could easily find jobs if life were a bit more uncomfortable for them. This could lead to people looking for jobs from a

weaker position than those with shorter durations of unemployment still on income support. This might increase the risks of creating a two-tier society with a lower layer reserved for those caught in the trap of long-term unemployment, and low-paid, insecure and unsatisfying jobs and could possibly generate problems of long-term social exclusion. There is also the risk, as identified in the report on *Labour Market Policies for the 1990s*, that with rising demand for labour, there will be increased pressure to meet it through the entry of migrant workers, with the attendant problems of social integration this could give rise to.

J.D. McBain,
Manpower Policies Division

Chapter 1

THE NATURE OF THE PROBLEM

Introduction

1. The previous OECD report on *Measures to Assist the Long-term Unemployed* noted that in 1986 there were between 8 and 9 million long-term unemployed in OECD Europe as a whole, some 45 per cent of the overall unemployment total. It also pointed out that during the early and mid-1980s the rise of long-term unemployment had been greater than the increase in the overall unemployment rate. In the three years since that report there has been a fall in unemployment in the OECD region, although the drop has been more marked outside Europe than inside it. Furthermore, although there have significant declines in long-term unemployment in a number of Member countries, long-term unemployment remains a serious problem, and indeed its overall incidence may have increased.

2. In this report we examine the many initiatives that have been taken to deal with the problem. We also survey the procedures employed by panel members to evaluate the various policies, and try to pull together the results of those evaluations. In the light of that experience we try to develop a view on the way forward in the changing economic and demographic situation of the early 1990s. But first we consider the scale and nature of the problem.

The Scale of the Long-term Unemployment Problem

3. All OECD countries experienced substantial increases in overall unemployment during the early 1980s although the timing and scale of the increase varied. (See Table I for details.) In some non-European countries the peak unemployment rate was attained fairly rapidly and then a significant decline set in. In both Australia and Canada for instance overall unemployment seems to have peaked in 1983. In most European countries on the other hand the decline was slower in coming. In Netherlands unemployment reached a peak in 1984. Spain and Portugal peaked in 1985, the United Kingdom in 1986 and France, Ireland and Austria in 1987.

4. The incidence of long-term unemployment may be expected to follow the behaviour of overall unemployment with a lag. In part this is a reflection of the obvious constraint that if unemployed people are to become long-term unemployed they can only do so twelve months after entering the count. But this process is reinforced by an economic recovery being reflected firstly in a decline in inflows to unemployment, and then by employers beginning to recruit mainly from the short end of the unemployment count. One therefore expects the incidence of long-term unemployment to reach a peak at some point during the upswing of the economic cycle. Of course there will be considerable variation in this tendency, reflecting the speed of the recovery, the degree of structural change in the economy, the nature of the benefit system, and also

the measures in place to assist the long-term unemployed. (In some cases measures, particularly direct job creation measures, serve to recycle the unemployed, i.e. when they have completed a period of time on a scheme they re-enter the unemployment count in the same way as those who have lost jobs elsewhere in the economy). As Table II shows, in a number of countries the incidence of long-term unemployment reached a peak one or two years after overall unemployment had peaked: in 1985 Australia and Canada (although there was a small increase in both countries in 1987), in 1986 in the Netherlands and 1987 in the United Kingdom and Spain. The performance of long-term unemployment in France was rather exceptional, reaching a peak in 1986, before total unemployment had peaked.

5. There is considerable difference in the incidence of long-term unemployment among the panel countries even when allowance is made for differences in overall unemployment, as Table III indicates. These comparisons should be treated with caution bearing in mind the different national definitions of periods of unemployment and methods of data collection, particularly the treatment of interrupted and female unemployment. The impact of schemes to support the unemployed will also affect the validity of comparisons. In 1987 Austria and Canada were low long-term unemployment incidence countries. France, Greece, Ireland, Portugal and the United Kingdom were all in the range of a 40-50 per cent incidence, taking as a criteria persons who have been unemployed for than 12 months. Spain stood out as a high long-term unemployment country, followed by Portugal and the Netherlands. The unemployment rate was highest in Spain and lowest in Austria but the level of unemployment did not always indicate the corresponding ranking with regard to the incidence of long-term unemployment.

The Characteristics of the Long-term Unemployed

6. The characteristics of the long-term unemployed (LTU) showed many parallels across the Member countries but there were also some significant differences reflecting the structure and history of their economies and societies and also the nature of the benefit systems. This is demonstrated in Table IV which shows the composition of the long-term unemployed disaggregated by age and gender.

7. A majority of the LTU are men in Australia, Austria, Canada, Ireland, the Netherlands and the United Kingdom, whereas women predominate in France, Greece, Portugal and Spain. In some countries where a majority of the LTU are men this predominance appeared to decline in the mid-1980s but in the last two years or so any such trend has been halted or reversed. It is possible that part of those gender differences may be due to the operation of unemployment compensation systems. If payments are subject to a means test many married women may not be eligible and may not register (see note 1). However this argument would not apply where data are drawn from household surveys, but it may be that as a result of broken work histories, women are less likely to be eligible for compensation and will have less incentive to search actively and continuously and may well move in and out of the labour force, thus breaking their spells of unemployment.

8. The proportions of youths (less than 25 years old) and adults in LTU vary widely, with Austria having a very low proportion of youths in long-term unemployment (under 10 per cent) and Canada, France, Ireland, Netherlands and United Kingdom generally having less than 30 per cent. But in Spain youths form over 40 per cent of the LTU and in Portugal they still accounted for over 50 per cent in 1987 before a decline to over 40 per cent in 1988. The proportion of youths in the LTU grew in the early 1980s in many countries but is now declining in most, reflecting a combination of demographic changes and policy action.

9. In many countries older workers (over 45 years) tend to account for about one-third of the LTUs and there are some signs of an upward trend in the late 1980s. Exceptions are those countries where youths tend to form a high proportion (Greece, Spain and Portugal). However older workers do tend to be over-represented among the long-term unemployed relative to their share in total unemployment. This probably reflects their greater difficulty in finding a new job after losing one they may have held for a long time, and in which much human capital had been accumulated.

10. Prime-age adults form the largest proportion of the LTU in most countries except the group where youths form the largest proportion. For most countries the proportion of prime-age adults in the LTU has risen quite substantially since the 1970s.

11. As table V shows, the incidence of LTU among men is higher in countries where men form the majority of the LTU, and for women where they are in the majority. For youths, the incidence of LTU is lower than overall incidence in all countries apart from Greece, Portugal and Spain where it is about the same. The incidence of LTU for adults tends to be slightly higher than overall incidence and that for older workers tends to be much higher except for those in Greece, Spain and Portugal. The incidence of LTU for youths increased in the 1980s in most countries considered here, as did adult incidence. In Greece and Spain the incidence amongst prime-age adults became greater than youth incidence in 1985.

12. In many countries long-term unemployment is geographically concentrated. In Australia the areas within which long-term unemployment is concentrated are New South Wales, South Australia and Tasmania. In Austria, the regions of Vienna, Upper Austria, Lower Austria and Styria contained about 81 per cent of the long-term unemployed in 1987. In Canada, the province of Quebec has 43 per cent of the long-term unemployed but only 29.2 per cent of the unemployed. In France, the North West and Central regions have the highest incidence of LTU. In Spain the incidence is greatest in the South, in Extremadura and the Canary Islands. In Ireland just under half the LTU are concentrated in the East and South East, reflecting the geographical distribution of the labour force. However, in Donegal and the North-West the LTU rate is 1.5 times the national average. In Greece, long-term unemployment is highest in Thessalia, Peloponnesus and Crete. In the Netherlands, LTU is highest in the eastern, southern regions and inner cities, while 48 per cent of all unemployed and 54 per cent of the long-term unemployed live in 17 cities. In Portugal, the highest incidence of LTU is found in the North. In the United Kingdom, Northern Ireland, the West-Midlands, North and North-West England account for 40.3 per cent of long-term unemployment but 36.9 per cent of all unemployment.

13. In the United Kingdom the problem of long-term unemployment is exacerbated by the system of housing tenure which inhibits labour mobility. The long-term unemployed are more likely to be renting accommodation from a local authority and less likely to be purchasing owner-occupied property. The proportion of the long-term unemployed owning their own house outright (as opposed to buying on a mortgage) is roughly the same as the proportion of the working population as a whole and that of the shorter duration unemployed, but this probably reflects their age structure. There seems to be a particular problem of long-term unemployed people being concentrated in large local authority estates in inner cities or on the outskirts of conurbations.

14. In a number of countries ethnic minorities are over represented in the long-term unemployed. Often, as in the case of the Netherlands, this is partly explained by the comparatively low level of educational attainment of the immigrant communities. In the United Kingdom where ethnic minorities are slightly over represented in LTU, there is considerable variation among ethnic groups and the problem is severest amongst those of Pakistani/Bangladeshi origin.

15. Most panel members reported that individuals with low education attainment and little vocational training were disproportionately represented amongst the long-term unemployed, and that illiteracy led to a high propensity to become long-term unemployed. However, in many countries there are better educated and trained minorities among the long-term unemployed. In the Netherlands a significant minority (almost 10 per cent) of the long-term unemployed are highly qualified. In the United Kingdom the long-term unemployed are slightly more likely to have completed trade apprenticeships than the shorter duration unemployed or the employed. (This presumably reflects the sharp recession in the United Kingdom manufacturing sector in the early 1980s). A significant minority of the United Kingdom long-term unemployed have had skilled work experience or have other vocational/academic qualifications.

16. It is difficult to make broad generalisations about the sectors of the economy from which the LTU are drawn, although in a number of countries a disproportionate number seem to have come from the older manufacturing sectors. In Austria many of the long-term unemployed were previously working in the iron, metal, electrical and production industries as well as legal, office and administrative services and commerce. LTU is severest amongst unskilled workers but is also common amongst skilled manual and non-manual professional workers. In Portugal, the long-term unemployed tend to be unskilled workers, tailors, dressmakers, textile workers as well as those who had been employed in commerce, sales and administration. In Ireland, more than half come from the manufacturing, building and construction sectors. In the United Kingdom, the long-term unemployed are more likely to have been previously employed in the construction, 'other manufacturing' or 'mineral extraction, metal manufacture or chemical' categories of industries, usually in manual occupations. What these industries have in common would seem to be the experience of industrial restructuring, frequently leading to mass redundancies. Analyses of the reasons for becoming unemployed often highlight the vulnerability of those made redundant, particularly if they have long periods of experience and on-the-job training within the enterprise without having acquired formal qualifications. The absence of suitable jobs in the locality, the inability to devise a

strategy for re-entering employment, reluctance to envisage a change of career and the scant attention paid to their experience during recruitment procedures are factors which compound the problems of reintegration.

17. It is not possible to provide a view of a typical unemployed person which would apply at all times and in all countries, not least because when long-term unemployment increases, the characteristics of long-term unemployed people will approximate more closely to those of the unemployed as a whole, just as when total unemployment increases, its characteristics become closer to the average of the labour force. It is however possible to draw a number of generalisations concerning long-term unemployment in the participating countries. Firstly, there is a contrast between the southern European economies where long-term unemployment is predominantly young and/or female, whereas, in northern Europe, it is predominantly male and tends to be older. A second theme is that certain groups are particularly prone to experience long-term unemployment, e.g. those with little educational attainment or vocational training, minority groups such as ethnic minorities, the disabled etc. Thirdly, there does seem to be some correlation between the amount of structural adjustment taking place in the economy and the incidence of LTU. We shall return to these themes when we consider the scope for focusing policies on sub-groups within the LTU.

Table I

UNEMPLOYMENT RATES

Unemployment (commonly used definitions)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Austria	2.0	1.8	1.4	1.2	1.0	1.0	1.1	1.7	1.7	1.6	1.8	1.7	1.5	2.1	3.1	3.7	3.8	3.6	3.1	3.8	3.6	3.4
Australia	1.8	1.8	1.6	1.9	2.6	2.3	2.6	4.8	4.7	5.6	6.4	6.2	6.0	5.7	7.1	9.9	8.9	8.2	8.0	8.0	7.1	6.2
Canada	4.4	4.4	5.6	6.1	6.2	5.5	5.3	6.9	7.1	8.0	8.3	7.4	7.5	7.5	11.1	11.9	11.3	10.5	9.5	8.8	7.8	7.5
France	2.7	2.3	2.4	2.6	2.7	2.6	2.8	4.1	4.4	4.9	5.2	6.0	6.4	7.6	8.2	8.4	9.8	10.2	10.4	10.5	10.0	9.5
Greece	5.6	5.3	4.2	3.1	2.1	2.0	2.1	2.3	1.9	1.7	1.8	1.9	2.8	4.1	5.8	7.9	8.1	7.8	7.4	7.5	7.7	7.8
Ireland	5.3	5.0	5.8	5.5	6.2	5.7	5.3	7.3	9.0	8.8	8.2	7.1	7.8	9.9	11.4	14.0	15.5	17.4	17.4	17.5	16.7	16.0
Portugal	2.5		3.8	2.1	2.1	2.2	1.7	3.5	5.8	7.1	7.9	8.2	8.0	7.7	7.5	7.9	8.6	8.7	8.6	7.1	5.8	5.4
Netherlands	1.4	1.0	1.0	1.3	2.2	2.2	2.7	5.2	5.5	5.3	5.3	5.6	6.3	9.2	12.4	15.0	15.4	14.2	13.2	8.7	8.3	7.6
Spain	2.9	2.4	2.5	3.3	2.8	2.5	3.0	4.3	4.8	5.2	6.9	9.5	12.3	14.3	16.4	18.2	20.1	21.5	21.0	20.5	19.5	17.3
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.4	0.3	0.3	0.2	0.2	0.4	0.9	1.1	0.7	0.8	0.8	0.7	0.6
UK	2.1	2.0	2.2	2.9	3.2	2.2	2.1	3.2	4.8	5.2	5.1	4.5	6.1	9.1	10.4	11.2	11.4	11.6	11.8	10.4	8.2	6.5

Sources: OECD Economic Outlook (for sources and definitions see "Sources and Methods" section)
Estimates from OECD Economic Outlook, December 1989

Unemployment (OECD standardised definition)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Austria	2.0	2.0	1.4	1.3	1.2	1.1	1.4	1.7	1.8	1.6	2.1	2.1	1.9	2.5	3.5	4.1	3.8					
Australia	1.8	1.8	1.6	1.9	2.6	2.3	2.6	4.8	4.7	5.6	6.2	6.2	6.0	5.7	7.1	9.9	8.9	8.2	8.0	8.0	7.2	
Canada	4.4	4.4	5.6	6.1	6.2	5.5	5.3	6.9	7.1	8.0	8.3	7.4	7.4	7.5	10.9	11.8	11.2	10.4	9.5	8.8	7.7	
France	2.6	2.3	2.5	2.6	2.7	2.6	2.4	4.0	4.4	5.0	5.2	5.9	6.3	7.4	8.1	8.3	9.7	10.2	10.4	10.5	10.0	
Greece																						
Ireland	5.3	5.0	5.8	5.5	6.2	5.7	5.3	7.3	9.0	8.8	8.2	7.1	7.3	9.9	11.4	14.0	15.5	17.4	17.6	17.5	16.7	
Portugal																						
Netherlands	1.5	1.0	1.0	1.3	2.2	2.2	2.7	5.2	5.5	5.3	5.3	5.4	6.0	8.5	11.4	12.0	11.8	10.6	9.9	9.6	9.5	
Spain	3.0	2.6	2.4	3.1	3.1	2.5	2.6	3.6	4.6	5.2	6.9	8.5	11.2	13.9	15.8	17.2	20.1	21.4	21.0	20.1	19.1	
UK	3.2	3.0	3.0	4.0	4.2	3.0	2.9	4.3	5.6	6.0	5.9	5.0	6.4	9.8	11.3	12.5	11.7	11.2	11.2	10.2	8.3	

Sources: OECD Economic Outlook. These unemployment rates are based on the ILO/OECD Guidelines. The unemployed are defined as persons of working age who are without work, available for work and actively seeking employment. Unemployment is expressed as a percentage of the total labour force, including all members of the armed forces.

Table II

PERSONS UNEMPLOYED FOR A YEAR OR MORE EXPRESSED AS A PERCENTAGE OF TOTAL UNEMPLOYMENT

Country	Percentages (a)						
	1979	1981	1983	1985	1986	1987	1988
Australia	18.1 (6.2)	21.0 (5.7)	27.5 (9.9)	30.9 (8.2)	27.4 (8.0)	28.7 (8.0)	28.5 (7.1)
Austria	8.6 (1.7)	6.5 (2.1)	9.0 (3.7)	13.3 (3.6)	12.6 (3.1)	15.0 (3.8)	17.1 (3.6)
Canada	3.5 (7.4)	4.2 (7.5)	9.7 (11.9)	10.3 (10.5)	9.0 (9.5)	9.4 (8.8)	7.3 (7.8)
France	30.3 (6.0)	32.5 (7.6)	42.2 (8.4)	46.8 (10.2)	47.8 (10.4)	45.5 (10.5)	44.8 (10.0)
Greece	-	21.9 (4.1)	34.8 (7.9)	46.3 (7.8)	44.5 (7.4)	45.8 (7.5)	N/A
Ireland	34.0 (6.7)	30.7 (10.2)	36.5 (14.0)	64.1 (17.4)	64.9 (17.4)	65.8 (17.6)	N/A
Portugal	-	-	54.2 (7.9)	56.4 (8.5)	56.2 (8.4)	56.6 (7.0)	N/A
Netherlands	27.1 (5.6)	22.0 (9.2)	43.7 (15.0)	55.3 (14.2)	56.3 (13.2)	55.6 (8.7)	51.2 (8.3)
Spain	27.5 (9.5)	- (14.3)	53.5 (18.2)	56.8 (21.5)	56.6 (21.0)	61.9 (20.5)	61.5 (19.5)
Switzerland	-	-	-	-	11.3 (0.8)	9.3 (0.8)	11.1 (0.7)
United Kingdom	- (5.0)	22.0 (9.8)	36.5 (12.5)	41.0 (11.2)	41.1 (11.2)	42.6 (10.2)	40.8 (8.3)

a) The figures in parentheses are overall unemployment rates.

Sources:

Unemployment durations -- see Table I: 1979 data refer to February.

Unemployment rate -- see Table I, except for Greece and Portugal: OECD Employment Outlook 1989.

TABLE III

INCIDENCE OF LTU AND UNEMPLOYMENT RATES IN SELECTED OECD COUNTRIES, 1988

	>6 mths	>12 mths	Unemployment (%)
Australia	50.5	32.4	7.2
Austria	N/A	15.0	3.8
Canada	22.2	9.0	7.8
France	62.1	42.2	10.0
Greece	59.8	35.2	7.5
Ireland	84.8	70.2	17.5
Netherlands	74.3	55.6	8.7
Portugal	72.9	56.6	7.1
Spain	75.9	61.5	19.5
United Kingdom	58.8	41.8	8.3

Note: Data are drawn from either surveys [as indicated by (S) below], which vary according to survey design and suffer from inaccurate reporting as well as possible sampling errors, or administrative records [as indicated by (A)], which vary with the conventions of the different systems. Only large differences in the levels should be regarded as significant.

Sources:

Unemployment durations: Country notes.

Australia:	Australian Bureau of Statistics, The Labour Force, Australia, August data (S).
Austria:	End-August 1987 data supplied by the Ministry for Labour and Social Affairs (A).
Canada:	Revised survey data, annual averages, supplied by Statistics Canada (S).
France:	INSEE, Enquête sur l'Emploi, March data (S).
Greece:	EUROSTAT, Labour Force Survey.
Ireland:	EUROSTAT 1987 Labour Force Survey (S).
Netherlands:	CBS, Sociaal-economische Maandstatistiek, May 1987 data (A).
Portugal:	EUROSTAT, Labour Force Survey.
Spain:	EUROSTAT, Labour Force Survey, last quarter data.
United Kingdom:	Department of Employment, Employment Gazette, Oct. data (A).

Table IV

**COMPOSITION OF LONGTERM UNEMPLOYMENT (12 MONTHS AND OVER)
IN SELECTED OECD COUNTRIES**

Percentage share of long-term unemployment by age and sex

<u>Country</u>	<u>Year</u>	<u>Youths</u> <u><25</u>	<u>Adults</u> <u>25-44</u>	<u>Older</u> <u>workers</u> <u>45+</u>	<u>Men</u>	<u>Women</u>
Australia	1979	47.2	29.8	22.9	55.6	44.4
	1981	37.8	34.3	27.9	59.4	40.6
	1983	40.0	40.2	19.4	65.5	34.5
	1985	33.7	39.3	27.0	72.2	27.8
	1986	31.6	40.7	27.7	67.8	32.2
	1987	33.5	42.1	24.3	67.3	32.2
	1988	31.9	40.8	27.3	64.7	35.3
	1989	33.4	39.1	27.5	67.4	32.6
Austria (a)	1982	5.5	52.1	42.8	58.8	41.2
	1983	7.0	59.3	38.6	64.2	35.8
	1984	7.1	62.3	30.5	66.2	33.8
	1985	6.7	64.8	28.5	63.7	36.3
	1986	6.3	66.6	27.1	59.8	40.2
	1987	7.1	68.8	24.1	58.4	41.6
	1988	6.7	70.8	22.6	57.1	42.9
Canada	1973	32.1	46.4	21.4	64.3	35.7
	1981	30.8	43.6	25.6	66.7	33.3
	1983	27.7	48.2	24.1	67.2	32.8
	1985	17.4	51.5	31.1	66.7	33.3
	1986	15.0	52.3	33.7	64.5	35.5
	1987	14.2	51.9	33.9	66.0	34.0
	1988	10.8	52.7	36.5	64.9	35.1
	1989	9.0	52.2	38.8	64.2	35.8
France (a)	1973	17.9	37.9	44.3	54.2	45.8
	1975	25.8	44.5	29.7	36.5	63.5
	1979	28.1	46.2	25.7	37.5	62.5
	1981	27.8	45.1	27.1	33.7	66.3
	1983	30.8	45.9	23.2	40.6	59.4
	1985	30.9	50.4	18.7	42.9	57.1
	1986	26.2	53.5	20.3	46.5	53.5
	1987	20.8	58.6	20.6	42.8	57.2
	1988	17.4	60.8	21.8	42.1	57.9
Greece	1983	45.6	39.6	14.8	34.4	65.6
	1985	46.1	41.1	12.8	36.4	63.6
	1986	48.7	40.4	10.9	31.9	68.1
	1987	48.8	41.8	12.9	34.3	65.7
	1988	59.1	29.8	11.1	31.7	68.3

TABLE IV (cont)

<u>Country</u>	<u>Year</u>	<u>Youths</u> <u><25</u>	<u>Prime-age</u> <u>adults</u>	<u>Older</u> <u>workers</u>	<u>Men</u>	<u>Women</u>
Ireland	1983	33.1	46.3	20.6	77.3	22.7
	1984	32.0	47.3	20.7	76.7	23.3
	1985	35.9	44.8	19.4	71.3	28.7
	1986	36.4	44.4	19.2	70.1	29.9
	1987	33.5	46.7	19.8	69.8	30.2
	1988	29.5	49.4	21.1	70.7	29.3
Netherlands (a)	1973	8.4	49.2	42.4	84.8	15.2
	1975	11.6	54.3	34.1	82.4	17.6
	1979	23.7	52.2	24.1	69.0	31.0
	1981	28.6	53.6	17.0	65.5	34.5
	1983	29.2	54.2	16.6	70.5	29.5
	1985	28.0	61.5	10.4	67.5	32.5
	1966	24.9	63.4	11.7	66.4	33.6
	1987	22.2	65.0	12.9	64.9	35.1
	1988	18.2	67.2	14.6	68.8	31.2
Portugal	1986	54.7	34.6	10.7	41.1	58.9
	1987	54.0	34.1	11.9	40.1	59.9
	1988	46.4	40.6	13.0	36.7	63.3
Spain (c)	1979	56.8	25.9	17.3	59.9	40.1
	1981	55.7	28.9	15.4	62.3	37.7
	1983	54.2	31.7	14.1	60.3	39.7
	1985	46.9	37.4	15.7	61.8	38.2
	1986	46.1	37.8	16.1	59.8	40.2
	1987	46.4	37.8	15.8	48.8	51.2
	1988	44.6	40.8	14.6	44.8	55.1
Switzerland	1988	8.6	43.4	48.0	47.3	52.7
United Kingdom (b)	1973	6.3	23.7	70.0	91.0	9.0
	1975	8.4	25.1	66.5	90.3	9.7
	1979	16.8	32.1	51.1	78.9	21.1
	1981	24.4	34.7	40.9	78.2	21.8
	1983	38.5	35.8	25.6	72.8	27.2
	1985	33.9	39.4	26.7	72.2	27.8
	1986	33.4	40.0	26.6	73.0	27.0
	1987	27.9	42.2	29.9	73.5	26.5
	1988	21.6	44.1	34.3	73.6	26.4

Notes:

- a) 'Prime-age adults' in these countries refers to those aged 25-49 and 'older workers' refer to those aged 50+.
- b) Because of a change in the computation of the unemployment statistics, unadjusted figures from Feb 1986 are not directly comparable with earlier figures.
- c) Column 1 refers to young people 29 years and less, column 2 to adults aged 30-44 years.

Sources: See Table III.

TABLE V

INCIDENCE OF LONG-TERM UNEMPLOYMENT BY AGE AND GENDER

percentage of long-term unemployment in total unemployment
within age and gender groups

<u>Country</u>	<u>Year</u>	<u>Youths</u> <u><25</u>	<u>Prime-age</u> <u>adults</u> <u>25-44</u>	<u>Older</u> <u>workers</u> <u>45+</u>	<u>Men</u>	<u>Women</u>
Australia	1979	15.3	17.2	33.0	19.3	16.7
	1981	15.5	20.7	42.2	23.9	17.8
	1983	23.6	28.1	38.9	28.8	25.3
	1985	22.9	31.2	53.8	36.6	22.0
	1986	19.3	28.3	49.5	31.9	21.3
	1987	21.5	29.0	50.1	33.3	22.1
	1988	20.3	29.7	47.1	32.4	23.2
	1989	18.1	21.8	39.6	28.0	16.9
Austria (a)	1982	1.2	5.1	16.2	6.1	5.2
	1983	2.4	9.1	21.6	10.2	7.4
	1984	3.3	13.8	29.1	15.5	9.8
	1985	3.0	14.7	30.4	16.4	9.9
	1986	2.6	14.5	30.4	15.1	10.1
	1987	3.6	17.4	32.9	17.7	12.4
	1988	4.3	19.5	33.9	19.8	14.4
Canada	1979	2.3	4.4	4.6	4.1	2.7
	1981	3.0	5.0	7.5	5.9	3.4
	1983	6.8	10.8	14.2	11.0	7.7
	1985	5.1	11.3	17.8	12.1	7.9
	1986	3.9	9.6	17.0	10.2	7.2
	1987	4.1	10.1	17.1	11.5	7.0
	1988	2.5	7.9	14.2	9.0	5.5
	1989	2.0	6.9	14.1	8.0	5.3
France	1973	9.5	21.0	46.4	22.9	20.2
	1975	11.0	16.7	33.3	14.0	19.3
	1979	21.1	31.7	49.8	26.4	33.2
	1981	22.6	32.7	57.8	26.7	36.5
	1983	32.8	42.7	66.2	39.0	44.0
	1985	37.5	48.8	67.2	42.7	50.5
	1986	36.4	49.4	70.3	46.1	49.4
	1987	30.4	48.5	67.7	42.9	47.6
	1988	27.0	48.3	65.9	42.2	46.8
Greece	1983	33.6	37.5	33.3	24.7	44.7
	1985	44.8	49.1	43.3	36.4	54.8
	1986	44.4	47.2	37.3	32.4	54.0
	1987	44.1	49.3	42.2	35.5	54.2
	1988	63.4	32.8	46.0	38.4	54.4

TABLE V (cont)

<u>Country</u>	<u>Year</u>	<u>Youths</u> <u><25</u>	<u>Prime-age</u> <u>adults</u> <u>25-44</u>	<u>Older</u> <u>workers</u> <u>45+</u>	<u>Men</u>	<u>Women</u>
Ireland	1981	16.0	31.9	42.3	33.5	20.6
	1983	27.8	41.4	50.9	42.8	25.0
	1985	56.8	68.8	73.6	69.5	55.2
	1986	57.4	68.7	75.9	69.5	56.9
	1987	57.6	70.3	76.1	70.5	58.6
	1988	56.6	68.7	76.8	70.6	57.1
Netherlands	1973	3.8	12.3	26.9	13.3	10.6
	1975	3.6	12.2	27.2	11.6	9.9
	1979	15.2	30.9	54.1	29.4	23.1
	1981	14.4	24.7	45.4	21.1	24.1
	1983	33.3	47.6	60.6	44.3	42.4
	1985	42.3	61.3	72.1	56.7	52.4
	1986	40.9	62.5	75.4	58.4	52.5
	1987	39.0	61.4	75.0	57.5	52.9
	1988	31.3	57.3	73.9	53.6	47.3
Portugal	1986	55.8	58.3	51.0	50.6	60.6
	1987	55.0	60.5	53.9	50.5	61.7
	1988	46.3	56.5	55.8	45.1	55.5
Spain (c)	1979	30.9	26.8	29.9	26.3	36.1
	1981	40.8	40.2	38.0	37.1	46.5
	1983	53.0	52.3	50.0	48.9	58.5
	1985	56.0	58.7	54.6	53.9	62.0
	1986	56.0	60.4	56.2	54.5	63.0
	1987	77.2	63.2	63.6	57.7	67.3
	1988	59.5	63.2	62.7	52.7	65.0
United Kingdom (b)	1981	13.2	23.0	34.7	24.4	16.2
	1983	41.5	48.5	56.1	52.9	36.3
	1985	40.4	50.0	61.9	55.7	36.5
	1986	37.2	47.5	60.5	53.3	33.4
	1987	34.2	48.4	60.8	53.6	32.7
	1988	30.0	45.6	62.1	54.8	29.5

Notes:

- a) 'Prime-age adults' in these countries refers to those aged 25-49 and 'older workers' refer to those aged 50+.
- b) Because of a change in the computation of the unemployment statistics, unadjusted figures from Feb 1986 are not directly comparable with earlier figures.
- c) First column refers to young people aged 29 and under, second column refers to adults aged 30-44 years.

Sources:

Unemployment durations -- see Table III: 1979 data refers to February.
 Unemployment rate -- see Table I, except for Greece and Portugal: *OECD Employment Outlook 1989*.

Chapter 2

THE POLICY RESPONSE

Introduction

18. We have seen that a striking aspect of the rise in unemployment in the 1980s has been the even more rapid rise in long-term unemployment. An increase in unemployment is associated with both an increased inflow to the unemployment register as a result of dismissals, etc. and a fall in the probability of an unemployed person leaving unemployment within a given time period. Furthermore it seems that the probability of leaving declines with the period of duration of unemployment. There are two processes at work here:

- i) Heterogeneity: The cohort of those who become unemployed are not homogeneous. Those whose characteristics, skills and experience make them most attractive to employers will have a higher probability of being recruited in any time period. Consequently the composition of those remaining unemployed will change and the average probability of leaving the register in each time period will decline ;
- ii) State dependence: Unemployed people will tend to search less intensively the longer their duration of unemployment, their skills will tend to deteriorate, and employers will regard them less favourably than those who have been unemployed for a shorter period.

Both these factors will tend to operate in the same direction: to reduce the probability of re-employment as the duration of unemployment increases (see note 2). Because, other things being equal, it will be more difficult to remove a long-term unemployed person from unemployment than someone who has been unemployed for a shorter period, governments have developed a wide range of policy initiatives, the appropriate policy mix depending on the characteristics of the particular labour market and the relative importance of heterogeneity and state dependence.

Benefit Levels

19. A factor which deserves further consideration is the nature of the benefit systems. This is because they are measures which assist the long-term unemployed, but economic theory suggests they are also contributory causes of long-term unemployment, at least at the margin. A comparison of these systems may explain some of the differences in the levels and duration patterns of long-term unemployment in the panel countries (see note 3).

20. The relationship between benefits and unemployment has generated considerable academic interest in recent years, but the conclusions are far from clear cut (see note 4). In the United Kingdom, Lancaster and Nickell (1980) concluded that the elasticity of unemployment with respect to benefits

was about 0.6 while in Australia, Trivedi and Kapuscinski (1985) state that a \$10 a week increase in unemployment benefit would increase spell lengths by 1.5 to 3 weeks. These estimates imply that only quite large cuts in benefits could be expected to raise outflows from unemployment by a significant amount. A subsequent study of the United Kingdom by Narendranathan, Nickell and Stern (1985) obtained an even smaller elasticity of around 0.3. Furthermore, Nickell (1979) found that the effect of benefits on the probability of returning to work was not constant across all durations. For the first 20 weeks or so, there was a significant impact on individual outflow probabilities, but for the long-term unemployed, the effect was negligible. It is also worth noting the evidence of Narendranathan, Nickell and Stern that the degree of responsiveness of unemployment duration to changes in benefit levels varies with age, being highest for teenage men and lowest for men over 45 while, in the case of the long-term unemployed, the relationship was significant only in the case of teenagers. More recently, a study of French evidence by Florens, Gérard-Varet and Werquin (1989) failed to detect a significant relationship between benefits and duration. Together this evidence provides some grounds for concluding that benefit levels do not exert a strong influence on exits from long-term unemployment (see note 5). However, this may, in part, be a reflection of the difficulties in modelling the impact of the potential duration of benefits on the duration of unemployment. Recent work on Canada by Melbourne, Purvis and Scoones has demonstrated how the maximum duration of benefits causes the "natural rate" level of unemployment to be history-dependent and that changes in the benefit system in 1977 contributed to the slow decline in the unemployment rate following the recession of 1981-83.

21. Most of the panel countries operate both an insurance system and an assistance system for the payment of benefit (see note 5). The exception is Australia which operates only an assistance system. Canada operates both an insurance system and a social assistance system, the latter being a joint federal/provincial/municipal undertaking. Within these broad categories there is considerable variation in design and methods of operation. Also, in some cases it is possible for the LTU to exhaust entitlement to both forms of benefit and to become dependent on social welfare aid provided by local authorities (see note 6).

22. The insurance-based systems share the characteristic that benefit is paid on the basis of an entitlement built up during periods of previous employment. All are dependent to some extent on contributions deducted from wages, but only the Austrian and French systems are financed entirely out of wage based contributions -- half employer and half employee contributions in the case of Austria -- two-thirds from the employer one-third from the employee in the case of France. In all other cases the state makes additional contributions out of general taxation. In the United Kingdom case benefit is paid at a flat rate, but in the other panel countries it is linked to the previous wage, with payments up to 80 per cent of that wage, although sometimes it is a declining function of that wage. For all the panel countries there is a maximum duration of payment, and for most countries this is 12 months or less. Only in the cases of Netherlands (up to 36 months), Spain (up to 24 months at a rate which declines with time) France (up to 19 months), and Ireland (up to 15 months) are the long-term unemployed, strictly defined, in receipt of benefits from an insurance-based system.

23. Most of the long-term unemployed will be in receipt of benefits from an assistance system conditional on a means test. There were two types of such system represented among the panel countries. In the Netherlands, Australia and the United Kingdom any unemployed person may obtain benefit without having to produce any record of previous employment. In the other countries it is essentially an extension of the insurance system in which assistance benefits are available only to unemployed persons who have at least a minimum employment record. In Spain and Portugal means tested benefits are payable only for a limited period (for 18 months for those under 45 and 30 months for those over in the case of Spain, except for those over 52 for whom the period is unlimited, and in the case of Portugal for 10 months for those below the age of 25 rising to 30 months for those aged 55). In Canada no means tests are applied but social assistance is subject to eligibility criteria related to factors such as family situation and personal circumstances, which may vary among provinces and municipalities. In addition Austria, Spain and Portugal impose some eligibility conditions related to family situation and Austria a restriction related to nationality. Also there is considerable variation in the methods of determining need and the generosity of benefit.

24. Older unemployed workers frequently receive more favourable treatment than the younger unemployed. In France and Portugal the duration of benefit payments may depend on the duration of the working life. In France, Spain and Switzerland the older long-term unemployed receive higher benefits than do the other unemployed, while in the United Kingdom the unemployed aged over 60 may receive income support (assistance-type benefits) at the pensioner, rather than the unemployed rate. Australia has also recently introduced a higher rate of benefit for 60-64 year-old after 6 months on benefit, while Ireland is introducing a pre-retirement allowance from February 1990. The usual form of favouring the older unemployed is however to extend the duration of benefit payments. This occurs under the insurance schemes in Austria, France and the Netherlands and in the assistance scheme in Spain. For instance, in the case of Austria the unemployed under 40 receive benefit for a maximum of 30 weeks, those aged 40 to 50 for a maximum of 39 weeks, and those aged 50 and over for a maximum of 50 weeks. In Netherlands the advantages are proportional to the workers age throughout his life, increasing with age and reaching a maximum of 70 per cent of the final wage at the age of 50 or over, and payable for between 42 and 60 months depending on age after which the unemployed person will be entitled to flat rate benefit until he becomes eligible for retirement pension. In France an unemployed person aged over 50 may draw benefit at between 57-75 per cent of previous wage for up to 45 months followed by a flat rate benefit for a further nine months. In addition in a number of countries early retirement schemes may offer an alternative to the unemployment benefit schemes for older workers.

25. These issues could be important in the consideration of long-term unemployment policy because replacement ratios (the ratio of benefits received to likely income in employment) are likely to influence the LTU person's decision on whether to accept job offers at least at the margin. Another issue likely to influence such decisions is the benefits they will receive when in work. This consideration has influenced the reform of benefit systems in Australia, Ireland and the United Kingdom. In the United Kingdom, since April 1988, there have been two main types of means-tested in-work benefit. The first is called Family Credit, and is designed to give support to families with

low net earnings relative to the size and composition of their families. To qualify for Family Credit a claimant must work at least 24 hours a week and have less than \$6 000 in savings and be responsible for at least one child aged under 16. The second type of benefit is called Housing Benefit where people on low incomes can receive support towards their rent and rates. Similar considerations influenced the design of the Family Allowance Supplement, introduced in Australia in 1987 to provide assistance with the cost of children for low income families in work. In Ireland the Family Income Support was designed to enable people to work who might otherwise be better off on social welfare. An additional consideration, which has exercised policy-makers in France and Spain, is the extent to which LTU people can take part-time work without loss of benefit.

The Long-term Unemployed as a Priority Group

26. The long-term unemployed have long been recognised as requiring assistance in addition to that provided to other unemployed job-seekers. However the degree of differentiation, and the boundaries of the priority group will vary according to the seriousness of the unemployment problem which governments face, and the resources they are able to devote to it given their other priorities.

27. The very definition of long-term unemployment is by no means clear cut. During the 1960s and 1970s it was normal to regard those unemployed for more than six months as long-term unemployed, but as the unemployment problem worsened and the resources available to deal with it became more scarce, the twelve months definition has become the norm, at least in Europe. The Netherlands is a case in point. In the report on "combating excessive unemployment" published in 1973 the Dutch government stated that a duration of unemployment of more than six months was unacceptable, but by the early eighties the term "long-term unemployed" was used in Government reports to indicate people who had been unemployed for more than one year, and indeed most policy initiatives in the Netherlands are directed at those who have been unemployed for two years or more. In the United Kingdom while the definition of long-term unemployment is the number of people who have been unemployed and claiming benefit for 12 months or more, a more flexible definition longer term unemployment is also used for the number of people unemployed for six months or more. In Austria long-term unemployment is defined as for persons aged under 25 who have been out of work for more than three months and those 25 and over who have been out of work for more than six months. However the application of many measures is restricted to more narrowly defined groups, usually six months unemployment for the under 25 year old and one year for those 25 and over. In France also there is a distinction between the criteria used for measuring the population of LTU and the criteria for entering various programmes. While the former remains at 12 months' registration, the latter has been gradually relaxed since 1982 and no programme or measure now requires 12 months continuous registration. The reason for the change has been the desire not to exclude people from measures because of short interruptions due to illness, training or brief periods of employment. However, people with very long duration unemployment are still regarded as a priority.

28. The non-European panel members both applied rather more flexible definitions. The Canadian Jobs Strategy introduced in 1985 had various target groups including the long-term unemployed defined as those unemployed for 24 out of the previous 30 weeks. This group may overlap to some extent with other priority groups such as the severely employment disadvantaged and social assistance recipients. In Australia, those eligible for labour market programmes are defined as those unemployed for six months or more in the past nine, and are part of a 'Common Target Group' including such groups as the disabled, overseas born, Aboriginal job-seekers, sole supporting parents, women re-entrants, and other job-seekers with social personal and educational problems.

29. Within the long-term unemployed as a whole, certain subgroups, tend to be regarded as of higher priority than others. The younger long-term unemployed are frequently regarded as particularly important. We have seen that in Australia they are able to enter programmes after six months unemployment while in the United Kingdom those under 25 are able to enter Employment Training after six months unemployment. There are also various training schemes expressly designed for this group. The rationale is presumably that the returns to investment in the human capital of these younger unemployed will be greater and that the experience of prolonged unemployment will lead to a greater deterioration in skills and attitudes, with possibly deleterious effects upon social cohesion. Another group often regarded as of higher priority is the very long-term unemployed, i.e. those unemployed for two or more years. On the other hand the older longer-term unemployed, i.e. those aged over 50, tend to be regarded as of lower priority presumably on the grounds that investment in their human capital will bear a lower return.

The Classification of Measures

30. What the unemployed require is of course jobs. Unfortunately jobs are not within the gift of governments except at the margin. It must therefore seek to promote the employment of the long-term unemployed by indirect methods: by increasing their effectiveness in job-search and increasing their attractiveness to employers by providing them with additional human capital or reducing their costs by means of subsidy, or, in the last resort using direct employment creating programmes to maintain their skills and habits of work.

31. The design of policy would be easier if we knew in which sectors of the economy job vacancies would be generated. However this is not the case other than in fairly broad terms. Nevertheless a number of panel countries do try to take a sophisticated view on where the growth of new jobs will be: for instance Spain has a training plan which provides a framework for investment in training. Employers are asked what occupations will expand or decrease and are likely to generate staff shortages. In the Netherlands, regional training plans influence the design of the scheme for primary vocational training of adults (PBVE). Other nations are able to draw on the work of independent research organisations (see note 7).

32. In the next four chapters we shall survey and assess the impact of the various policies in operation in the panel countries directed at the long-term unemployed. It is convenient to group these programmes under three headings:

- i) Measures to encourage, improve and assist in job-search. This is an area which had continued to grow in importance since the last report and most panel members now operate some sort of personal interviewing programme offering advice and counselling to the LTU. In many cases this has been associated with substantial reorganisation and restructuring of employment services. It is convenient to group this with attempts to promote self-help, advice to claimants on benefit eligibility, and investigation of fraudulent claims;
- ii) Measures to reactivate and raise the skills of the long-term unemployed in the hope of making them more attractive to employers. This involves not only formal vocational training but also the training and courses that are needed to enable the long-term unemployed to pursue a formal (vocational) training;
- iii) Improving options for the long-term unemployed by reducing their costs to employers by means of subsidies, paying subsidies to the long-term unemployed persons to encourage them to accept jobs they might otherwise not have considered, the encouragement of self employment, and the provision of direct job creation schemes.

In terms of the classification we have employed above, these measures will both attempt to counteract the "state dependence" effects as well as assist those subgroups which are inherently disadvantaged in the job-search process. There is however a group of measures which are particularly designed to assist subgroups within the long-term unemployed.

- iv) The focused approach: measures to assist particular groups within the long-term unemployed such as those living in inner cities or older industrial areas, young people, older workers, the very long-term unemployed, women, single parents, ethnic minorities and various other groups.

Few of the measures in the last group are focused solely on long-term unemployed people, but many of them have a significant number of LTU among their clients. It is acknowledged that this classification is fairly crude, and does not do justice to the efforts of some countries, including Australia and Canada, where attempts have been made to introduce an integrated programme which combines elements tailored to individual clients' needs and which consequently cross programme classification boundaries.

33. In the following chapter we discuss the difficulties of evaluating programmes directed at the long-term unemployed and have attempted to survey the somewhat patchy evaluation results which are available and draw some tentative conclusions. Finally we look at prospects for the long-term unemployed in the light of the changing economic and demographic situation, and discuss the measures which are most likely to ensure that long-term unemployed people are re-integrated into the effective labour force.

Chapter 3

MEASURES TO ENCOURAGE, IMPROVE AND ASSIST IN JOB-SEARCH

Background

34. The trend in a number of countries towards the intensification of placement and counselling activities, and towards giving greater priority to the needs of the long-term unemployed, was noted in the previous OECD Panel report on long-term unemployment. This trend has accelerated since that panel met in 1984-86 (see note 8).

35. There are a number of aspects to this approach. There is not only the range and degree of integration of services and the efficiency of delivery by the public employment service itself, but also the attempt to engage the long-term unemployed in positive action (possibly at an early stage), e.g. the mutual recognition of responsibility of both the individual and the public employment service to take action to secure a return to work.

36. The tasks of the public employment services would be greatly eased if it were possible to identify at an early stage those unemployed who are likely to join the ranks of the LTU. However, experience in a number of countries suggests that this is very difficult if not impossible. Long-term unemployed people often share one or more of a series of characteristics, such as low skills level, possibly with literacy and numeracy problems, a particular type of geographical location, a disability or an ethnic minority background, all of which can contribute to the difficulties they experience in finding a job. However not all unemployed people displaying these characteristics continue into long-term unemployment. In the United Kingdom for example, only 16 per cent of newly unemployed people remain unemployed after one year, while even for those aged over 50 less than a quarter remain unemployed for over one year. For these reasons it is not usual to focus measures on subgroups of the short duration unemployed solely by virtue of the fact that they have a high propensity to become LTU, although there may be other reasons for such focusing. However, there may be some scope for refining the techniques of identifying those at risk of becoming LTU, making greater use of judgement of agency staff, and using administrative data such as number of refusals.

Improving the Effectiveness of the Employment Service

37. In some instances the desire to improve the effectiveness of placement and guidance services has led to a larger scale organisational restructuring. In Australia in 1987, two administrative portfolios were reorganised to form the Department of Employment, Education and Training, which has enabled issues such as school retention levels, post-secondary education, income support issues for students and job-seekers and employment issues to be dealt with in a

common framework. Within the more narrowly defined employment area short-term job-creation has been phased out and the "Newstart strategy" introduced. This is a measure to encourage and assist LTU beneficiaries aged 21-54 to move into employment and reduce their dependence on unemployment benefit. The strategy has six main components:

- i) Intensive interviews, counselling and referral assistance;
- ii) Comprehensive information provision;
- iii) Increased labour market programme activities in the form of four major measures: Jobstart, Jobtrain, Skillshare and the Job Clubs;
- iv) Active job placement and community awareness strategies;
- v) New incentives in the unemployment benefit system;
- vi) Emphasis on reciprocal obligation.

We shall be considering these aspects in detail in this and subsequent chapters.

38. Another instance is the United Kingdom, where in October 1987 the Government established within the Department of Employment a unified Employment Service, bringing together the Jobcentre network previously run by the Manpower Services Commission and the Department of Employment's network of Unemployment Benefit Offices. The priorities of the Employment Service are:

- i) To give positive help to people who have been unemployed for over 6 months, and to other unemployed people who need such help (particularly people with disabilities and disadvantages) notably through: increased emphasis on placing the longer term unemployed into jobs; the development of the Restart programme; the further enhancement of the Claimant Adviser Service; the continuing development of Jobclubs, the Enterprise Allowance Scheme and other programmes; as well as through placing the long-term unemployed in training programmes and, in particular, the new Employment Training programme (ET).
- ii) To make accurate and prompt payments of benefits to unemployed claimants, at the same time ensuring that benefit is paid only to those who are entitled to it, notably through maximising the effect in the interview with unemployed people when they first claim benefit and ensuring that best use is made of subsequent contacts with them.
- iii) To improve its capacity to deliver services through promoting the integration of Jobcentres and Unemployment Benefit Offices, training and developing managers and staff, improved communications and achieving the maximum benefit from information technology.

The main aspects of this approach, the Restart Interviews, Jobclubs, and advice to benefit claimants will be dealt with below.

39. In Ireland in 1987 the State training agency, State job placement and guidance service and State agency dealing with youth unemployment were merged to form a new labour services agency, FAS. FAS is charged with providing a wide range of services including training employment schemes, job and work experience placement, and assistance to community groups and cooperatives in the provision of employment. The Social Employment Scheme is the most significant response focused specifically on the LTU. It provides part-time work while assisting the community through local sponsorship of projects which respond to local need. The employment incentive scheme subsidises private employers to create additional employments for the LTU, early school-leavers and the handicapped.

40. In the Netherlands the employment and training initiatives since 1982 have been developed in close co-operation with the central organisations of employers and the trade unions that participate in the Labour Foundation. This co-operation will be reinforced as a result of a bill recently introduced with the intention of bringing the Employment Service under the joint direction of central government and the "social partners". Many of the responsibilities will be decentralised to regional employment boards consisting of representatives of local authorities and "social partners" and the local level. Another recent Netherlands organisational initiative is the closer co-operation between regional employment services and the local social services. This initially took the form of a systematic exchange of information between the two services, but more recently the organisation of restart interviews has been a joint responsibility.

41. During the 1980s the National Employment Service in Canada has undergone a process of revitalisation aimed at improving the targeting of services to labour market sectors not adequately served by other means. An integral part of improving service to clients was needs identification so as to better determine the nature and level of services required. A recent evaluation established a strong relationship between benefits and improved equitable access to the labour market.

42. A prominent role which has emerged for Canada Employment Centres is as a focal point for delivering labour programmes such as those of the Canadian Job Strategy, including programmes for long-term unemployed and the severely employment-disadvantaged including Job Development and Job Entry. In addition, an Outreach Programme extends CEC services to groups and areas not otherwise served. These include many long-term unemployed, extremely disadvantaged individuals.

43. A further major administrative initiative will take place with the introduction of the Labour Force Development Strategy (LFDS), which will integrate the Unemployment Insurance (UI) Programme, Canadian Jobs Strategy and the Employment Service. This integrated approach is aimed at the more active use of UI to help UI claimants find jobs. The private sector is expected to play a strengthened role as part of the LFDS. Details of the LFDS are currently under development.

44. In Austria the long-term unemployed were defined by the Federal Ministry of Labour and Social Welfare in 1985 as a group to which the Labour Market Service should pay special heed. As a consequence all Labour Exchanges for a period of two months set up special focal points for advice, placement and

other assistance to the LTU. Survey evidence of the registrants at four large Viennese exchanges showed encouraging results, even though a large proportion of the placements were a result of substitution for unemployed at the shorter end of the count. A similar campaign was due to take place in the winter of 1988-89.

45. Changes are also under way in the employment service in Spain, aimed at making it less bureaucratic, improving knowledge of the capacities and needs of clients, especially those unemployed for over twelve months or frequently rejected by employers, providing a more individual service, contacting employers more systematically, etc. A new type of area office, the OPEC is being created, which will co-operate closely with local government. Local offices will also be modified to be able to provide an integrated range of services to meet varied needs. Improvements are also being carried out in the Portuguese Employment Service, with French assistance and advice.

Personal Counselling, Advice and Motivation

46. In many of the panel countries measures to assist the LTU in job-search have taken the form of calling them to attend regular interviews at which they are informed and advised about employment and training opportunities. An early move in this direction was taken by the French *Agence Nationale pour l'Emploi* (ANPE), which as a result of the escalation of long-term unemployment in early 1982 decided to carry out a detailed assessment of all long-term unemployed persons with a view to promoting further action in the form of placement in jobs, on training schemes or in employment measures. As a result between October 1982 and March 1983 some 365 000 long-term unemployed persons were called for interview, and over 300 000 interviews were actually conducted.

47. The success of this exercise led in 1983 to the introduction of regular interviews in the "Assessment of the 13th month". Between March and December 1987, 659 000 people were invited to attend interview sessions of which one third had been registered with ANPE for more than 2 years. 553 034 interviews took place and 36 261 persons were struck off the register for failure to attend. Intensive assessment is provided at the interview and individual strategies developed for reintegration into the labour force. The following menu items are offered at an interview:

- i) Submission to available vacancies. (48 000 in the period reported, although it is not known in how many cases employment was taken up.)
- ii) Training courses were offered in some 250 000 cases, or 45 per cent of the total. This was generally in the form of modular courses (120 000) or specialised training for the long-term unemployed, but also included introductory training for young people.
- iii) ANPE has introduced courses to provide more in depth counselling and evaluate work capacities. (83 000 interviewees were recommended to such sessions.) The ANPE also offers courses in improving job-search techniques (94 000) and self-employment (3 000) although its services are not reserved for the LTU.

- iv) Interviewees can also be directed to other organisations for welfare and other forms of assistance. However in 124 000 cases (22 per cent of the total) no positive action was proposed. This proportion increased with age, reaching 35 per cent over 50.

48. There are clear affinities between the French use of enhanced interviewing and counselling and the United Kingdom's Restart Programme, which was introduced nationally in July 1986 to provide a counselling service for everyone unemployed for 6 months or more. Since April 1988 Restart interviews have been provided at six monthly intervals for all adults unemployed for over 6 months. The aim of the regular interviews is to inform and advise the individual about employment and training opportunities, and to reach an agreement about a realistic and appropriate course of action back to work. The action agreed at the interview may draw on a number of menu items including application for existing job vacancies, or participating in one of the Government's employment enterprise or training initiatives, including Employment Training (ET), Jobclubs and Restart courses. (Restart courses are designed to help people build their confidence, reassess their strengths and skills and decide what their next steps back to work should be). They generally last a week and are provided by institutions such as Colleges of Further Education, private and voluntary organisations. After the course, people will receive support from claimant advisers for up to six weeks in carrying out their plan of action. The Government has provided a guarantee that everyone who is aged between 18 and 24 and who has been unemployed between 6 and 12 months will be offered a place on either ET, the Enterprise Allowance Scheme, or a Jobclub. Since September 1988 the Employment Service has been introducing Restart follow-up interviews for 18-24 year olds who have not been offered a guarantee place or who fail to follow it up.

49. Another country which has recently inaugurated a system of Restart interviews is the Netherlands. This initiative is particularly interesting because the interviews are joint ventures of the regional employment offices and the social services and will be held with all clients of those organisations who have been unemployed for more than three years. 17 000 interviews were carried out in 1988, the first year of operation, and the number was expected to increase to 45 000 in 1989. At this rate the whole category of clients will be interviewed in three years. An evaluation of those called to interviews in the second half of 1988 showed that 20 per cent failed to attend, while of the 30 500 who did attend, 8 per cent proved to have work.

50. Ireland operates a Jobsearch Scheme, the aim of which is to advise and assist the LTU to find employment by assessing their skills, their retraining needs and their potential to take part in training and employment schemes. The programme consists of three elements: a face to face interview designed to elicit individual preferences and needs; a four-week course of counselling the individual on job-search approaches including practical help such as postage, stationery etc.; placement on a training or employment scheme or in unsubsidised employment. The programme is jointly managed by the Department of Social Welfare (who identify candidates for interview) and FAS who conduct the interviews and determine which scheme if any, is most appropriate for the individual. Failure to participate may result in loss of social welfare entitlements.

51. The Australian "Newstart" strategy has some affinity with the measures already discussed. Its aims include the intention to carry out intensive interviews with 18-54 year old LTUs each year. The clients may then be directed to one of the public employment and/or training programmes: Jobstart, Jobtrain, Skillshare or the Jobclubs, or encouraged to accept employment with the aid of one of the incentives provided by the unemployment benefit service. Interesting aspects of this programme include the direct canvassing of the community for job vacancies, and attempts to alter negative attitudes towards the long-term unemployed on the part of the community in general and employers in particular. As in the United Kingdom and elsewhere there is strong emphasis on reciprocal obligation. Attendance at the intensive and follow up interviews is to be obligatory, as are offers of labour market assistance.

52. Portugal has been experimenting with a vocational information and guidance system for long-term unemployed people. Established by the Institute for Employment and Vocational Training in June 1988, the programme has been oriented in such a way as to influence and encourage a change in attitude so that the long-term unemployed assume a more active stance appropriate for the elaboration of realistic vocational plans. The programme is applied to small groups of 12 to 15 people, lasts for 12 to 15 hours and is made up of five basic modules: (i) personal achievement, (ii) labour market, (iii) self knowledge, (iv) job-hunting skills and (v) personal plan. The sessions are presented by the careers adviser and by an employment expert. Initially carried out on an experimental basis in five Job Centres, it is now being extended to others and will eventually become national practice.

Encouraging Self-help

53. All techniques of job-search are dependent to some degree on the self-motivation of the participant, and we have seen that many of the measures already discussed, including ANPE courses, Restart interviews and courses, and the Newstart Strategy seek to encourage initiative and self-reliance on the part of the job-seeker. This trend is also apparent in the establishment of job-clubs in so many of the panel countries.

54. The Canadian job-finding clubs were probably the originators of this innovation, which spread to the United States and New Zealand before being introduced to Europe. In the United Kingdom Jobclubs were piloted in 1984 and went national the following year. There are now some 940 of them, and they had almost 80 000 entrants between April and December 1990. Typically, Jobclub members receive coaching and expert advice on job-seeking techniques, and have free use of facilities such as stationary, stamps, telephones and typewriters, to enable them to undertake an effective search. The arrangements in Australian Jobclubs seem rather more formal, with participants receiving structured three week assistance in training skills. There are now some 30 application clubs (solicitation clubs) in the Netherlands with plans to double that number by 1990, and a number of "help yourself" groups in Austria, while jobclubs have also been recently introduced in France.

55. Also under the heading of self-help, and although not usually specifically targeted on the long-term unemployed, we should mention methods to encourage mobility. This can have a number of aspects. In Switzerland the unemployment insurance scheme may pay benefits of two kinds to workers unable to find suitable employment in their own areas. They may either be granted an allowance to cover the cost of daily journeys between their residence and work-place, or a contribution towards weekly transport and subsistence expenses. The allowances are payable for periods not exceeding six months. The United Kingdom Employment Service runs a Travel to Interview Scheme, which helped 34 000 people in the year to March 1988. The service is also using information technology through its computerised vacancy register NATVACS to inform mobile job-seekers about vacancies in other areas. Australia operates a scheme which provides financial assistance towards the costs of relocation for job-seekers, and has also had some success in encouraging unemployed people from immigrant groups to commute over longer distances.

Advice to Claimants and Fraudulent Claims

56. In some countries a need was felt for better control of resources, and it is clearly in the interests of the unemployed that scarce resources are devoted to those who really need it. In the course of the interviewing and counselling process it often appears that some of the unemployed are claiming the inappropriate form of benefit. They may for instance be eligible for sickness benefit, or they may be better helped by some other form of assistance. We have seen this process operating in the French "Assessment of the 13th month" although this is subordinate to the main function of the measure which is to diagnose the problems encountered by the unemployed and propose appropriate solutions. In the United Kingdom Restart counsellors and other ES staff can refer unemployed people to Claimant Advisers (the unemployed can also themselves request to be referred) whose task it is to provide guidance on such matters as the financial benefits of returning to work, to training and other options, and the conditions of entitlement to benefit. In Austria there is a well-established system of counselling for all unemployed, with counselling interviews provided monthly, at which clients receive information on claiming benefits, as well as training possibilities and vacancies.

57. While most benefit recipients are genuinely unemployed and keen to find work there is inevitably a minority who try to defraud the system by working while claiming benefits. The scale of fraud and abuse is by its nature difficult to gauge, but the introduction of counselling systems provides some pointers. As we have seen, in the French "Assessment of the thirteenth month" between March and December 1987, 36 261 persons (5.5 per cent) were removed from the register for failure to attend the interview, while a further 16 600 (2.5 per cent) declared they were no longer seeking work following the interview. Similarly, in the United Kingdom, consistently more than 10 per cent of claimants sent a letter of invitation to a Restart interview stop claiming benefits rather than attend, while in the Netherlands the rate of non-attendance reached 20 per cent. (In none of these cases does this necessarily imply that the recipient was making a fraudulent claim. It is possible that the individual may have obtained employment between receiving the invitation and attending the interview, perhaps as a result of increased intensity of job search.)

58. The United Kingdom has been taking a particularly strong line with fraudulent claimants. In the past two years fraud investigators have been adopting a targeted approach, concentrating on areas of the country where jobs are plentiful and occupations which provide more ready opportunities for abusing the benefit system. These operations have been successful in terms of tackling the small but significant level of abuse and thus freeing resources to help those who are genuinely unemployed. Due to the work of fraud investigators, some 70 000 registered unemployed withdrew their claims to benefit in 1989/90, and there may be a positive attitudinal effect if employers and the public generally perceive that abuse is dealt with and that those claiming unemployment benefits are actually available for and ready for work.

59. Most other panel countries also have mechanisms to deal with the problem. The Irish Department of Social Welfare has two Units which deal with instances of fraud and suspected fraud in the area of unemployment payments. The SIU/JIU (Special Investigation Unit/Joint Investigation Unit) comprised of Inspectors from the Department of Social Welfare and Officers from the Revenue Commissioners deal with the investigation of specific complaints. The ECU (External Control Unit) work on a policy of fraud awareness, advising clients of the statutory conditions for the receipt of payment and ensuring that they satisfy these conditions. In addition to these sections, which deal with the investigation of fraud in claims that are in payment, there are a number of control measures in place in each of the Department's network of Local Offices which tackle the problems in the initial stages when the claims are being lodged. As a by-product of the Jobsearch programme there have been savings to the Department of Social Welfare as participants entered training and employment schemes and jobs or otherwise ceased claiming benefits. In Austria the monthly interview reduces the possibility of fraud to a minimum. The unemployment benefit might be temporarily suspended if the unemployed person does not accept job offers if those are similar to previous employment.

Chapter 4

MEASURES TO REACTIVATE AND RAISE THE SKILLS OF THE LONG-TERM UNEMPLOYED

Introduction

60. In this chapter we consider those programmes which aim to provide the long-term unemployed with various forms of human capital which will make them more attractive to potential employers.

61. International comparisons of the effectiveness of measures are extraordinarily difficult to make in this area above all others. Some of the more technical problems are discussed in Chapter 7 on "The Role of Evaluation". Here we must note in particular the problems of comparison caused by different methods of delivery. The fact that the LTU will typically be eligible for entry to training schemes which are open to all the unemployed, and possibly to certain other groups as well also complicates the situation. In addition there are frequently training schemes tailored to the needs of the LTU, although even here the differences of definition which we have already discussed are an additional problem. Furthermore there may be additional training measures focused on subgroups within the LTU.

Methods of Delivery

62. Delivery of most training in most countries is the responsibility of employers, although Governments usually have a strong interest in the topic because of its effect on the long-term prospects of the economy, frequently enforcing their judgements by regulation, or encouraging their preferences by subsidy. However, in the case of training for the unemployed in general, and the long-term unemployed in particular, the Government's activity is much more direct, although a significant role for the private sector often remains as the providers of training schemes or work experience. Indeed this private sector role is in some cases increasing, for instance with the establishment of Training and Enterprise Councils (TECs) in England and Wales and the similar Local Enterprise Councils (LECs) in Scotland with the responsibility, among other things, to contract with the Government to plan and deliver training within the ET programme. Even in this case, however, the responsibility for strategic planning will remain with the Government sector.

63. Despite the general agreement on the strategic role of Government there was considerable variation in the delivery systems of training programmes for the LTU. In a number of countries, notably Australia and the United Kingdom, unitary bodies are responsible for strategic planning and provision (which does not however eliminate the possibility for considerable diversity at lower

levels of the structure). Another group of countries, notably France and the Netherlands, have a range of organisations delivering training programmes of various kinds (although there have recently been moves to merge the French schemes). A variety of options are available in Canada for delivering programmes to the long-term unemployed, ranging from private sector employer/sponsors to institutional training places purchased either directly by the Federal Government, or indirectly through co-ordinating groups of employers. The organisation of training in Spain is fairly unique, being organised around an annual plan prepared by the National Employment Institute (INEM), with the advice of the "General Council on Industrial Training". The actual delivery of training may be the responsibility of INEM itself, or of the various organisations, institutions and enterprises who collaborate with it.

64. Perhaps the prime example of disaggregated provision is France. The training courses provided are of three main types: conventional training courses, alternating courses, and reinsertion courses (in addition to which there is some additional provision for special groups). There are two types of conventional courses for the LTU:

- i) Modular courses (87 000 beneficiaries in 1987), organised by the ANPE: These training courses last on average about three months, are directed at the low skilled, and are attracting an increasing proportion of women (60 per cent in 1987). Training providers are expected to tailor the courses to the needs of the participants.
- ii) Courses financed out of the National Employment Fund: These have existed since 1982, but were given an additional boost by the 1987 plan, so that there were 42 700 beneficiaries in 1987. The aim is to renew skills and complete qualifications. Courses last on average 300-500 hours. Slightly more than half the trainees were men in 1987, who tended to be concentrated in industry and construction, while the women were concentrated in the tertiary sector.

In addition there are special measures for particular groups such as single women. The second group of measures are the "alternance reintegration" courses:

- iii) Alternance training courses for young people aged 16- 25: These courses are directed at 16-17 year-olds who leave school with a very low level of education, and those between 18 and 25 who are looking for their first job, and have no qualifications or who are LTU. The typical employment preparation courses provide an average of 550 hours of off the job training in institutions and 2 months in firm practice. The courses for the more disadvantaged typically last 700 hours in a training centre followed by 3-6 weeks in a firm. There were some 100 000 trainees in 1987 of whom 90 per cent took the normal courses and 10 per cent the more intensive.
- iv) Alternance reintegration contracts (Contrats de réinsertion en alternance, CRA): The LTU are recruited under contracts to last at least a year. The employer receives 100 per cent exemption from social insurance contributions. Training lasting on average 450 hours is provided by the state. 6 700 beneficiaries in 1987.

- v) Alternance reintegration courses (Stages de réintégration en alternance, SRA): These courses are directed at people whose experience of long-term unemployment (typically two years or more), or whose handicaps lead them to being excluded from the labour market. Courses last 5 months (but can be extended to 8), spent alternating between the training centre and the firm. The State pays the trainees an allowance, finances the costs of the training and pays the firm a lump sum per engagement. 14 500 persons started courses before the end of 1987.

The effectiveness of these courses can be augmented by a 50 per cent exemption from social insurance contributions for up to a year for employers who recruit LTU who have completed a training course. In September 1989 these three different types of scheme -- module training schemes, National Employment Fund training schemes and alternance reintegration courses -- were merged to form the single training mechanism *Actions d'Insertion et de Formation*.

65. The levelling courses (Stages de mises à niveau, SMAN) enable the ANPE to negotiate agreements with firms so that persons whose qualifications are not entirely up to the firms' requirements can be engaged and trained with the costs shared between the firm and the public sector. In 1987 agreements were signed to establish 17 000 places, one-third of which are reserved for the LTU. In addition there are various measures for economic reinsertion, such as Local Insertion Programmes (PIL), Local Supplementary Income Support (LCR), and Intermediary Associations (AI) which may provide some elements of training, and will be discussed further in the following chapter.

66. In the Netherlands the training activities of the Employment Service, (which is under the joint direction of government, employers and trade unions), also has a range of delivery systems:

- i) Adult Vocational Training Centres (CVV): This is a system of 30 centres which provides daytime vocational training. A policy plan decides how many places will be set aside for market oriented training activities and how many places will be set aside for those in a weak labour market position.
- ii) Women's Vocational Schools: A system of schools organising vocational training for women over 25 who have never worked or wish to re-enter the labour market after a long period of absence.
- iii) Training Framework Scheme (KRS): Established in 1987, this scheme enables the Employment Service to make a percentage contribution to training costs. An unemployed person can get a 100 per cent reimbursement of training costs, if it is certified that the training is useful for employment, while employers receive a subsidy of 25 or 50 per cent depending on the duration of employment. The allowance is not normally paid to persons with contracts of more than six months. There are expected to be 52 000 persons on the scheme in 1988, 7 800 of them employed.
- iv) Primary Vocational Adult Training (PBVE) provides the long-term unemployed with essential basic skills. The scheme is carried out through the existing educational infrastructure and the Centres for

Vocational Orientation and Training (CBB) subsidised by the Employment Service. There were about 20 000 participants in 1988.

It can also be argued that certain of the measures introduced under the "Law Vermeend-Moor" which are discussed in the following chapter can be regarded as measures aimed at re-activating and raising the skills of the long-term unemployed. The budget for training measures is to be doubled in 1990, largely as a result of the Restart schemes for the very long-term unemployed.

67. The United Kingdom's Employment Training (ET) scheme provides a striking contrast to the two delivery systems just described. The scheme is operated by the Training Agency, and was introduced in September 1988, replacing the Community Programme (CP), and a plethora of training schemes. ET is intended to address the two problems of long-term unemployment and skill shortages by providing training in skills appropriate to their local labour market to people unemployed over six months. Provision has been made for about 560 000 starts each year, with an average length of stay of six months. Most trainees are referred to a Training Agent by the Employment Service, for example as a result of a Restart interview, although unemployed people may approach a Training Agent directly. Clients spend two or three days with the Training Agent during which time specialist counsellors help them assess the skills, qualifications and experience which they already have or would like to acquire. An action plan is then drawn up setting out the length and type of training required, and the objectives to be achieved by the trainee. The trainee is then referred to a training manager who arranges the practical and directed training, either by providing it directly or by sub-contracting it to employers or trainers. Every training manager is required to provide training in job-search and interview skills to those trainees that need it. Most trainees will spend up to 60 per cent of their time in practical training either with an employer or on a project. Each trainee is guaranteed to spend up to 40 per cent of his/her time in directed training delivered outside the work-place by employers, colleges or specialist training organisations.

68. In Ireland alternance training/work experience is provided by the State Training Agency FAS, through its "Building on Experience" options. Separate provision is made for the handicapped LTU through a separate State Agency, "The National Rehabilitation Board". The education system also provides limited numeracy and literacy schemes for those, including the LTU, with difficulties in those areas. The early school-leavers with no qualifications who are -- or are likely - to become LTU are catered for by the Youth-reach Programme under the joint auspices of the Departments of Education and Labour. The programme provides up to two years education/training for the targeted group.

69. In Australia, under the umbrella strategy "Newstart" there are two programmes concerned with training. The "Jobtrain" programme offers vocational training on short-term courses, while the "Skillshare" is a community-based programme which provides structured skills training and other employment related activities through local community projects.

70. The Canadian system offers a range of methods of delivery of training. Under the former National Institutional Training Program (NITP), the Federal Government purchased training places, usually from provincially-operated

training institutions, to which individual trainees were referred by the Canada Employment Centres. This system remains as a Direct Purchase Option under the programmes of the Canadian Jobs Strategy including Job Development and Job Entry. However, both of these programmes encompass other options involving the provision of training and work experience in the work-place with employers in the private or non-profit sectors. In addition, the purchase of institutional training courses has been broadened to permit funding of Indirect Purchases by Co-ordinating Groups of employers and other non-governmental association such as Industrial Training Committees. These course may be purchased from provincially-run training institutions or other training bodies. Essentially, this option strengthens the role of the private sector and focuses training purchases more directly upon the true needs of employers.

71. Despite these quite substantial differences in administrative structures, the problems which the panel countries face are very similar, and often, at the level of provision, are their responses. It is to these problems that we must now turn.

Problems of Provision

72. The first problem to be considered is the selection of the appropriate trainees for the programmes. This will in theory differ according to the objectives of the programme, and may do so in practice according to the motives of the agents. For instance if the aim was to train people to fill skill shortage jobs, that aim would best be met by choosing the best qualified and most job-ready among the unemployed. But if the aim is to assist those most needing help then the least job ready should be chosen. It is probably fair to say that most panel countries are most concerned with those at the latter end of the spectrum. These objectives are attained firstly by defining the client groups sufficiently tightly to prevent "creaming", but not so tightly that the trainers have so little discretion in the choice of trainees that they have to accept unsuitable candidates. An interesting method of dealing with this problem is provided by France, where the ANPE designates clients for training, and the training agent then has to define a suitable training package. Another example is provided by the United Kingdom's ET where priority is given to:

- i) Those aged between 18 and 24 and who have been unemployed for between 6 and 12 months.
- ii) Those aged between 18 and 50 who have been unemployed for two years or more.

In addition certain groups such as those returning to the labour market, single parents, people with English as a second language, ex-members of Her Majesty's forces, and people with disabilities, as well as those wishing to set up their own businesses or train for a skill which is in short supply in their labour market are provided with "ring-fenced" provision.

73. Secondly, the choice of appropriate trainees has been greatly facilitated by the growth of Restart type interviews in Australia, France, Netherlands, United Kingdom and other countries. These ensure that the potential trainees are available for consideration, and receive the appropriate

counselling and advice. Such interviews would be futile if there were not appropriate menu items on offer. The Netherlands report noted that training expenditure had doubled as a result of the interviews, and it is likely that similar processes have been at work in other countries. In none of the countries is participation in training schemes compulsory, but in a number of countries, not least Australia and the United Kingdom, interviewees may be under considerable pressure to participate in the programmes.

74. Very often the LTU in most need are lacking in motivation and self-confidence, and special provision is required to deal with this problem. We have noted the French ANPE courses and the United Kingdom Restart courses in the previous chapter, and the Netherlands PBVE courses above. The Austrian report also stressed the requirement of the LTU for "measures which serve to find professional bearings, motivation and an efficient way of job-finding", and reported results of pilot courses held in Upper Austria. In addition to action on motivation and job-search effectiveness it may be necessary to improve the basic literacy and numeracy of the LTU. This can be provided in the United Kingdom as part of ET, and where necessary supplementary grants for intensive training are provided. Some of the alternance training for young people in France, and the PBVE in the Netherlands play a similar role.

75. A further issue concerns the relative merits of direct or off-the-job training and practical or on-the-job training. Presumably the most suitable form of training will vary with the characteristics of the particular trainee, but there is a common presumption that the low average level of skills of the LTU implies that they have reacted adversely to direct training in the education system and after. Notions such as this, as well as cost factors, probably justify the recent growth of work experience and on the job-training schemes such as the alternance training schemes in France, and ET in the United Kingdom. Early operational follow-up data from the Canadian Jobs Strategy programmes suggested that training which includes on-the-job elements and a link to employment is more effective than classroom training alone. These early impressions are reinforced by evaluation results on Job Development and Job Entry. Under Job Development, private sector sponsorship was correlated with above average training outcomes. The Job Entry evaluation also reflected superior results for options involving work experience and on-the-job training as opposed to classroom training alone. Similar results have been obtained in Australia, where Jobstart links, especially to Jobtrain, provided superior employment outcomes.

76. Although the majority of LTU possess a comparatively low level of skills there is likely to be a minority who will benefit from a higher level of training, or training in a specialised area such as new technology or training for enterprise. Within ET in the United Kingdom as many as possible of the trainees will work towards a vocational qualification or a credit towards one, while 15 000 places have been set aside for training in skills which are in short supply, including high level training and training in new technology. The mainstream of the programme will also provide new technology training where it is suited to the local labour market. In France the SMAN (levelling courses), which assist occupational conversions to ANPE vacancies for those who have similar qualifications, perform a somewhat similar role of counteracting skill shortages. Most other panel members provide some similar high level training.

77. Finally it is necessary to ensure that the trainee has a reasonable prospect of employment at the end of his/her course. A number of reports, the Canadian in particular, stressed the dangers of providing training in skill surplus occupations, and in non-transferable skills. Panel countries have tried to deal with these problems in various, non-mutually exclusive ways. The French have tried through their SMAN courses to tie training directly to existing vacancies. A number of countries, notably Spain and the Netherlands, have sought to link training provision to sophisticated planning procedures. Others, notably the United Kingdom with the introduction of TECs, have sought to involve employers closely with the training process. All of these approaches have much to recommend them, but none can guarantee employment at the end of training as it is not possible to forecast with precision macro-economic developments and structural change in the economy.

Chapter 5

IMPROVING EMPLOYMENT OPTIONS FOR THE LONG-TERM UNEMPLOYED

Introduction

78. The long-term unemployed have greater difficulty in finding work than those unemployed for shorter periods. We have already seen that they tend to be less well qualified than other potential workers. The experience of long-term unemployment itself will tend to exacerbate this, as the skills and experience which they do possess will atrophy with lack of use. In addition they may become depressed and demoralised, and will appear unattractive to potential employers. Finally, employers may be wary of employing people who have been unemployed for a long time on the grounds either that long-term unemployment is a sign of the individual's inadequacy, or that the individual will have lost work habits such as punctuality while unemployed (see notes 8 and 9). In this chapter we consider methods by which employers might be encouraged to employ LTU in preference to, or in addition to, other recruits.

Increasing Employer Awareness

79. Both the Australian and the United Kingdom reports stress the need to encourage employers to think carefully about their recruitment practices. In Australia this has taken the form of a publicity drive, within the Newstart strategy, to canvass directly all key sections of the community in order to generate job vacancies suitable for the target group, and to improve awareness of the LTU, and change attitudes towards them.

80. In the United Kingdom this policy has taken the form of a series of publicity campaigns. The campaign "Action for Jobs" was launched in April 1986, and centred on a comprehensive booklet of the same name describing the full range of employment, enterprise and training measures and where further information could be obtained and applications made. This was accompanied by a series of 20 breakfast presentations held throughout the country with employers to increase their awareness of the opportunities available, and has been followed up by a series of campaigns focused on particular regions of the country. The Employment Service has also focused a campaign specifically at employers. Called "Employ the Unemployed" it was intended to encourage employers to examine and, if necessary, modify their recruitment practices.

Recruitment Supplements Paid to Employers

81. One of the most widely used techniques for encouraging employers to recruit from particular target groups is the payment of recruitment subsidies. There are differences of opinion on the efficacy of this approach. In part this reflects the wide range of schemes that have been tried, but it also reflects the extent to which one values the substitution of jobs in favour of the target group, but at the expense of other groups among the unemployed. If the recruitment of a LTU person is regarded as highly preferable to that of someone who has been unemployed for only a short period, a high level of substitution will not cause great concern. However, if one regards the recruitment of any unemployed person as of approximately equal value then substitution will be regarded as no better than deadweight. We shall return to this question when we have considered some of the schemes in operation.

82. The Netherlands has three types of wage cost subsidies in operation:

- i) The Youth Developing Job Scheme was introduced on an experimental basis in 1984 and extended nation-wide in 1988. Temporary jobs are provided for long-term unemployed youngsters (minimum two years unemployed and less than twenty five years of age) through the mediation of a special non-profit employment agency. Employers receive a subsidy of one third of the legal minimum youth wage of the person concerned. There were expected to be 5 000 participants in 1988 and 10 000 in 1989.
- ii) Measures to Support Integration into the Labour Market (MOA): An employer recruiting a LTU person can receive a subsidy for up to six months as compensation for the costs of training and guidance in the period during which the recruit is readjusting to working life. The number of subsidies was 4 600 in 1988, compared with a target of 6 600.
- iii) The "Law Vermeend-Moor" and the accompanying Scheme for the Long-term Unemployed (MLW): This scheme now applies to people who have been unemployed for more than two years. There are three variants of the scheme. The first involves exemption from payment of employers' social security contributions for employers who recruit a LTU person for either a normal job or a work experience place. Second, employers may be eligible for a subsidy towards the expense of providing guidance for a formerly LTU person in a normal job. Third, the government may subsidise the creation and maintenance of work experience places. There were 9 200 people on the scheme in 1988 compared with a target of 12 000.

The schemes have been evaluated and, despite fairly high levels of deadweight and substitution (the proportion of induced jobs was about 20 per cent on the youth scheme and a third on the MOA), the results are considered encouraging, and the extension and possible integration of the schemes is under consideration.

83. Another country which makes considerable use of recruitment subsidies is Spain. The following schemes affect particular subgroups among the LTU:

- i) Engagement of LTU workers aged over 45 on indefinite term contracts: The employer receives a subsidy of 400 000 pesetas plus a 50 per cent reduction in employers' contributions to social security for the duration of the contract.
- ii) Local employment initiatives receive a subsidy of up to 500 000 pesetas for the recruitment of an unemployed person under 25, or an LTU person over 25 but under 45.
- iii) A subsidy is provided for unemployed women of less than age 25, and long-term unemployed women of over 25 to encourage recruitment into trades and professions in which women are under-represented and in cooperatives. The employer receives a subsidy of up to 500 000 pesetas as long as there is a net increase in employment.

In addition there are subsidies provided for self-employment and for community work projects which will be discussed in more detail below.

84. In Ireland an Employment Incentive Scheme was introduced in 1977, replacing a similar scheme which had operated since 1975. This is a marginal, targeted subsidy, which has remained broadly unchanged since 1977, but the details of its operation have been revised several times. An independent evaluation of the scheme was published in March 1989, which found that the level of deadweight was high, permanent job creation was limited and the level of displacement low or non-existent, but the scheme did redirect hirings towards targeted groups. However, there was a small overall Exchequer profit per hiring and the greatest profit was on hiring of the LTU. As a result of the evaluation the structure of payments was altered and the scheme was targeted solely at adult LTU, early school-leavers and the handicapped.

85. Schemes of this sort are also in operation in a number of other panel countries. In Australia the Jobstart work experience programme plays an important role in the Newstart strategy, providing subsidised wages for up to 20 weeks for LTU and other target groups who are recruited in the private sector, with the subsidy level geared to age and degree of disadvantage. Portugal also offers assistance to firms for job-creation in the form of exemption from National Insurance contributions for 12 months if they appoint unemployed persons who are under 40 years old, and for 24 months for those over 40. Under certain circumstances, this can be increased to 18 or 30 months depending on whether the unemployed person is under or over 40. In Greece employers who create jobs for at least a year can receive subsidies at the rate of 1 000 drachmas a day for men and 1 300-1 700 for women.

Wage Subsidies Paid to the Former Unemployed

86. While recruitment subsidies paid to employers are fairly common, the United Kingdom seems to be unique in paying a subsidy directly to the former LTU recruit. This is the Jobstart Allowance, which was introduced in 1986, and offers an allowance of £20 a week for six months to any LTU person who takes a

job paying £90 gross or less a week. The take-up on this scheme has been rather disappointing, currently less than 10 000 applicants a year, but evaluation results have been quite encouraging with the proportion of non-deadweight jobs running at about 30 per cent.

87. It is also worth noting in this context the set of incentives which have been adopted within the Australian unemployment benefit system as part of the Newstart strategy. There are three measures designed to encourage and assist those in the target group to accept employment including:

- i) A one-off employment entry payment of \$100 to offset the cost of fares, new clothing and union fees.
- ii) A waiting period concession to eliminate a potential one-week wait for those who claim income support again within three months.

While such measures will obviously have a deadweight cost they may well induce LTU to accept jobs when they might otherwise not have done so due to adjustment costs and risk. (The third measure in this group is the acceptance of a wider range of measures while on income support, e.g. short courses or volunteer work.)

Encouragement of Independent Employment and the Creation of New Enterprises

88. A type of scheme which has become increasingly popular in recent years has been those designed to encourage unemployed persons to take up self-employment. They generally involve providing an allowance for a fixed period, often a year, during the start-up phase of a business, although in some cases employers can take all or part of this in the form of a one-off lump-sum. Programmes of this sort are rarely limited only to the LTU, and even if they are, will tend to attract that minority among them who are highly motivated and in possession of some valuable skill.

89. Typical of schemes to encourage self-employment is the United Kingdom's Enterprise Allowance Scheme (EAS), which along with ET and Jobclubs is regarded as one of the Employment Services' priority means to help people out of unemployment. Eligibility is limited to people 18 and over and under 65 who have been out of work or under notice of redundancy for at least eight weeks, in receipt of unemployment benefit or income support, and who have access to at least £1 000 to invest in the business, possibly raised by loan or overdraft. The scheme is intended to help unemployed people who have a business venture in mind but may be put off from working for themselves because they would lose entitlement to unemployment benefit or income support. Participants receive £40 a week for up to a year to supplement the receipts of the new business. In addition they attend an EAS preparatory event to find out how the scheme operates and get advice on setting up a new business. Over 500 000 people have joined the scheme since it was initiated in 1983. Survey evidence indicates that 80 per cent of participants are trading at the 18 month stage and 65 per cent are still trading three years later. From April 1988 EAS has been expanded to cater for some 110 000 entrants a year.

90. Canada has also undertaken a number of initiatives and experiments in the area of entrepreneurial encouragement and support. Under the Community Futures Program of the Canadian Jobs Strategy, Business Development Centres operate to provide entrepreneurial support and assistance in selected economically distressed centres. The Program stresses a community-led private sector-based approach. A Self-Employment Incentive option under the Community Futures Program provides income assistance to participants in lieu of Unemployment Insurance or social assistance to aid them in establishing a small business.

91. The Irish Enterprise Scheme was established in 1983 and between 1983 and early 1988 almost 20 000 people had entered the programme. The programme is open to all who have been unemployed for a period of 13 weeks or more and are in receipt of unemployment assistance or unemployment benefit. It lasts for 40 weeks and the participant receives a weekly allowance in lieu of assistance or benefit and is expected to establish his or her own business. The weekly rate is £40 for those without dependants and £65 for those with dependants. A sample survey of participants found that the scheme makes only a modest contribution towards creating additional jobs and reducing unemployment. The survey also found that businesses set up by those who had been unemployed for a short time, rather than for a long time, before entering the scheme were likely to survive longer.

92. In Australia the scheme to encourage small business development, the New Enterprise Initiative Scheme (NEIS) is operated by the Federal Government jointly with State/Territory Governments, and private sector and non-governmental organisations. The Federal Government provides funds for training in small business management and income support (broadly equal to unemployment benefit) to approved participants for up to one year. This is complemented by startup loans or grants and business advice provided by State/Territory Governments or non-government organisations.

93. The comparable scheme in France is open to all those who are in receipt of unemployment benefit on the day the business is created. Allowances can vary according to the length of receipt of benefit, and can be increased if at least one employee is hired full time or under indefinite contract within six months. Social Security is moreover maintained for six months. 63 200 entered the scheme in 1987. In Spain the persons eligible for entry are the unemployed under 25, and those over 25 who have been unemployed for at least a year. In addition to the basic subsidy of up to 500 000 pesetas, subsidies are available to offset the interest on loans and to provide technical assistance. The same assistance is provided in the case of the creation or expansion of cooperative enterprises. Portugal operates a scheme to assist job creation by young people under 25 and long-term unemployed adults who have followed a vocational training course by the Institute of Employment and Vocational Training, or corporation training courses co-ordinated by state or formal training centres. It also makes provision for technical and financial support, the latter taking the form of a non-refundable allowance, the amount of which corresponds to twelve times the national minimum wage. Furthermore, the institute operates a Job-creation Programme linked to the national cultural heritage which guarantees vocational training, co-financed by the European Social Fund, for those adults who have been unemployed for a long period. The Greek Government has a scheme to assist job creation by the unemployed with the level of subsidy

varying according to whether the business is created in the industrial or the commercial sector. In addition, it provides assistance to persons entering co-operative enterprises.

Direct Employment Creation Schemes in the Non-profit Sector

94. Finally we turn to direct employment creation measures. The aim of such programmes is usually to provide an intermediate stage for LTU people to re-enter the mainstream of the labour market by encouraging regular habits of work and making them more acceptable to employers. They may contain a training component, and also provide some output of benefit to the community. Such programmes may be operated directly by the public sector, or by the private non-profit making sector, but even in the latter case they will be almost entirely dependent on public funding, and the total size of provision will be decided by Government. Such measures are fairly easy to set up during a cyclical downturn, but doubts have arisen about the post-programme performance of participants, and this has led to a tendency in recent years either to wind up such schemes, or to substantially increase their training component.

95. In France there are three types of measure for economic reinsertion operating:

- i) Local Reinsertion Programmes (PIL) were introduced in April 1987 to provide a way back to employment for people who have exhausted their right to unemployment benefit, and are in receipt of "National Solidarity Allowances". The work is typically maintenance of public property, administrative tasks, environmental protection and social or socio-educative tasks. It is provided by the same sorts of bodies which provided community projects for the young unemployed (*travaux d'utilité collective*, TUC), i.e. local and regional authorities (47 per cent), non-profit making associations (35 per cent), and public undertakings (4 per cent). Some 4 200 were on the scheme in 1987. In September 1989 this scheme was combined with the Community Work Contract (TUC) and two smaller schemes to form a single mechanism, Employment Solidarity Contract *Contrat Emploi Solidarité*, the main result of which has been the creation of a genuine work contract.
- ii) Local Supplementary Income Support (LCR) is a system, introduced in 1986, to provide minimum income for people without regular income and unemployed, in return for part time work. The work is carried out under individual contracts within the framework of agreements between the departments and the State. Some 12 500 people entered the scheme in the year ending December 1987. 58 per cent of the participants were male, presumably as a consequence of the physical nature of much of the work, e.g. road maintenance. (During 1989 this measure was gradually superseded with the introduction of the more general scheme of Minimum Income for Insertion (*Revenu minimum d'insertion*, RMI), introduced by the law of 1st December 1988).
- iii) Intermediary Associations (AI) were established in 1987 to engage unemployed people and hire them out to other bodies to do work which is not in competition with existing employment. The AI have the

status of non-profit making organisations, and do not have to pay social security contributions for those working less than 200 hours a quarter, except for accident and unemployment insurance. There were some 10 800 beneficiaries of the scheme in 1987, and 46 per cent of the workers were drawn from the LTU. Employment is mainly directed at the commercial sector (44 per cent) and the household sector (29 per cent).

The aim of these programmes are seen not primarily in terms of creating jobs as such, but with changing the spontaneous organisation of the queue for employment, and working to combat the dualism inherent in the labour market.

96. The Netherlands has also experimented with a number of direct job creation schemes during the early 1980s, but they were often found to be expensive and relatively unsuccessful. Among the schemes currently in operation are:

- i) The Employment Creation Scheme (WVM) provides work in the non-profit sector for the most vulnerable groups of the unemployed (particularly the adult LTU and youngsters unemployed for nine months) at the national minimum wage. The number of entrants has fallen to less than 1 000 a year, the scheme is limited to women re-entering the labour market and ethnic minorities, and its termination is being considered.
- ii) The Youth Employment Guarantee Scheme (JWG) "guarantees" a job in the public sector to all those under 21 who within six months have not found one or started on further education or training, while at the same time they will no longer be eligible for social security benefits. A bill is being introduced implementing the guarantee early in 1989 but the scheme is expected to be fully effective only in 1994.
- iii) The temporary provision for local employment initiatives for young people was introduced in April 1987, and is intended as a bridging mechanism until JWG is fully operative. Municipalities offer young people jobs with a maximum of 19 working hours, giving them an income slightly above the subsistence level of social security. There were about 8 000 on this scheme at the end of 1988.

In addition a number of work experience places are being created for clients of Restart interviews.

97. In Austria the "Action 8 000" programme was designed to promote employment in the non-profit making sector. The beneficiaries are the long-term unemployed, (initially 3 months unemployed if under 25 and 6 months if over, but changed in 1987 to 6 and 12 months respectively). Jobs are provided for a year, typically in the social service, cultural or environmental improvement sectors, and the sponsor is expected to bear about a third of the cost. A follow-up survey indicated that a quarter of participants were able to increase their professional qualifications while on the scheme, while a third continued to work for the sponsor beyond the end of the support period.

98. In Ireland the most significant response to the problem of long-term unemployment has been through the Social Employment Scheme, which aims to assist the large number of adult LTU by providing them with part-time work while assisting the community through local sponsorship of projects which respond to a local need. The scheme offers part-time work on a half-weekly basis (40 hours in each two-week period) for up to 12 months.

99. In Spain there is an agreement between the National Employment Institute (INEM) and local authorities for carrying out community work projects by the unemployed. INEM subsidises wage costs up to 100 per cent in some cases. Priority in recruitment is given to those who have been unemployed longest, and who have the heaviest family responsibilities. Portugal also has a programme of community work projects, which are organised by the State or private non-profit making institutions, which bear the costs of travel to work and meals. They are reimbursed by the Institute of Employment and Vocational Training by amounts corresponding to the national minimum wage for industry.

100. In Australia, Canada and the United Kingdom in the last few years the tendency has been to incorporate community project work within wider schemes and to increase the training component. In Canada the Job Development Program (JDP) of the Canadian Jobs Strategy includes general projects which provide training and work experience through incremental work place oriented jobs with either private or non-profit sector employers. The Job Entry Program provides work experience together with on and off the job training for those having difficulty in entering or re-entering the labour market. In Australia all short-term job creation was phased out in 1987. Community projects survive in Skillshare, a part of the Newstart strategy, where community groups provide structured skills training and other employment related activities including personal support services. In the United Kingdom the Community Programme came to an end in September 1988, although project-based training continues within ET, and is combined with directed training as part of the participants' action plan.

Concluding Remarks

101. It is possible to detect some distinct trends in policy regarding this group of measures. There seems to have been a decline in their relative importance vis-à-vis measures to improve the efficiency of job-search and training programmes, although a number of panel members, including Austria, the Netherlands and Spain remain strongly committed to their use. Reasons for this shift of emphasis, seem to stem from an awareness of the high proportion of deadweight on subsidy schemes and an uncertainty about the size of longer-run and supply performance effects. There is also a tendency on the part of countries which still use these methods of delivery to increase their training and work-experience component. Consequently, the boundary between measures of this kind and the training schemes discussed in the previous chapter has become hard to define, and there is considerable affinity between, say, the Netherlands, "Law Vermeend-Moor" schemes and ET in the United Kingdom. However, one class of measure which continues to be developed is those to encourage new firms and self-employment, whose effect on the supply performance of the economy, in terms of increased entrepreneurship, is clearly apparent.

Chapter 6

THE FOCUSED APPROACH: MEASURES TARGETED ON PARTICULAR GROUPS WITHIN THE LONG-TERM UNEMPLOYED

Introduction

102. In this CHAPTER we shall be concerned with ways in which measures may be targeted on particular subgroups within the LTU. The assistance may be delivered by means of any of the three mechanisms we have considered, i.e. increasing the effectiveness of job-search, expanding the options for the LTU, or improving their skills, or by methods we have not so far considered, such as encouraging early retirement. However, consideration of these issues involves us in a number of boundary problems. If we were to consider only those measures specifically targeted on a subgroup of the LTU there would be few measure to consider. We inevitably have to consider measures targeted on a subgroup of the unemployed as a whole, and sometimes on the non-economically active as well, which include a significant number of LTU among their clients. We will not attempt to deal with those measures which may be considered to prevent subgroups of the unemployed becoming LTU (many youth schemes such as the United Kingdom's Youth Training Scheme YTS would come in this category).

Inner Cities

103. Those nations with significant inner city problems have taken a variety of initiatives to deal with them, but within those strategies measures directed at the unemployed in general, let alone the LTU in particular, tend to play a subordinate role. United Kingdom policy illustrates this point. A series of City Action Teams were set up in 1985, with the aims of reducing numbers in seriously inadequate housing, reducing the numbers of derelict sites and empty buildings, and increasing the job opportunities in certain areas and the employability of certain groups. This was reinforced by the Inner Cities Initiative of 1986 with the aim of achieving a more targeted impact on selected inner city areas of deprivation and unemployment. Finally in March 1988 the Government launched its "Action for Cities" package with the following components:

- i) Priority for inner cities on provision of information on enterprise, employment and training programmes;
- ii) Appointment of specialist "outreach" staff;
- iii) Encouragement of participation in the self-employment option by additional information, training and advice;

- iv) Provision of more help in Restart courses for those who lack basic skills such as literacy and numeracy;
- v) Introduction of equal opportunities code in ET;
- vi) Careful matching of inner city training to needs of employers;
- vii) Provision of fares to enable Jobclub members to attend interviews over wider distances;
- viii) The creation of 15 "Compacts" between schools and local employers whereby the latter guarantee job opportunities to leavers who reach agreed standards;
- ix) Encouragement of private sector investment;
- x) Expansion of Small Firms Service offices.

The Department of Employment and Training Agency already spend over £1.1 billion on programmes involving half a million people in the 57 Urban Programme Authorities.

104. In Ireland help for socially disadvantaged people in urban deprived areas takes the form of extra places on the Social Employment Scheme, extra help and encouragement from the State Training Agency FAS for community projects and special grants towards the cost of materials and workspaces under the Community Youth Training Programme and the Community Enterprise Programme respectively.

Old Industrial Areas

105. Many of the panel member countries had recently experienced extensive structural change in their industries, and the declining industries were frequently concentrated geographically. In most cases this problem was dealt with by the concentration of resources from national programmes. One exception to this was Austria where the loss of jobs in the iron and steel industry has led to a series of special measures:

- i) Extension of unemployment benefit eligibility to four years for those resident in the crisis regions for at least six months and who have had employment with compulsory insurance for 15 years in the last 25;
- ii) Provision of the equivalent of unemployment benefit for up to two years (exceptionally three) for those entering a recognised training course.

The process of adjustment is managed by a receiver facility (*Stiftung*) which is jointly financed by the company, staff and labour market administration. An example is that recently set up by VOEST Alpine AG. A person displaced will typically go on a six-week course after which they will have the choice of intensive job-search, short, medium or long-term training, or a place on a project. In Spain in Zones for Urgent Re-industrialisation firms undertaking

structural adjustments can receive subsidies which may help the LTU, but most of the assistance with employment and training will result from the local application of national schemes.

Young People

106. Most of the countries on the panel consider young people to be a priority group, and have a range of measures to prevent school leavers and other young people reaching the long durations of unemployment. However those in the slightly older group constitute a problem. If people in this age band do not acquire the skills and experience to enable them to earn a living they may become a continuing burden on public expenditure and possibly a threat to social order. For this reason many countries apply less stringent conditions for entry to employment measures to those under 25. An example is the United Kingdom where priority entry to ET is extended to people aged 18-24. In addition everyone aged 18-24 who has been unemployed for between 6 and 12 months will, at their Restart interview be offered job training, a place in a jobclub or a chance through EAS to set up in business. There is also a small scheme, Community Industry, which provides work experience for up to a year for socially disadvantaged young people who find it difficult to adjust to mainstream ET or YTS. Its aim is to accustom the participants to working life, to assist their personal development and to improve their subsequent job prospects.

107. We looked briefly at the French system of Alternance Training for young people aged 16-25 in chapter 4. The client groups for this scheme are those who leave school aged 16 or 17 with a low level of education, those between 18 and 25 who are looking for their first job, and who have no qualification or who are LTU. A large proportion of the entrants are comparatively young. In 1987 43 per cent were aged 16 and 17. The basic provision takes the form of a "job training course" lasting about 6 months, and comprising 550 hours at a training centre and 2 months with a firm. This is supplemented by intensive courses lasting up to 8 months for young people under 18 who have no educational qualification. There is also a problem with older unemployed people (18 to 25 years) who may have reached the end of the upper school or even the first year of university education. Special provision for this group was set up at the end of 1987 to enable them to achieve a technical qualification in a few months.

108. In Ireland a variety of programmes are aimed at young people. The Community Youth Training Programme consists primarily of construction-related community-managed projects which cater for the younger unemployed, redundant apprentices and older craft workers. The time is split between off-site training and on-site work practice and satisfies a large demand for general construction skills training. The majority of participants are short-term unemployed. Unqualified young people are catered for by a Skills Foundation Programme, Community Training Workshops, Travellers Workshops and the Youth-reach Scheme. The latter provides up to two years education/training for young unqualified school-leavers.

109. The Netherlands also regards young people as a priority group and is endeavouring to ensure that it is impossible for young people to begin their working career with a prolonged period of unemployment and support by social

benefits. This was the rationale behind the Youth Work Guarantee Scheme for all 16-20 year-olds who have been unemployed for six months or more. (This scheme and the temporary bridging mechanism were discussed in the section on direct job creation in chapter 5.) The use of a "guarantee" for a well defined target group is an innovation for the Netherlands. The intention is to establish a trade-off between social security expenditure and temporary work in the public sector. The mechanism operates through a combination of part time work and training. Although such jobs are not to be created in the private sector, for fear of displacement effects, private sector employers have been invited to come up with opportunities for regular jobs after the guarantee period.

110. In Canada, the Entry Option under the Job Entry Program provides a combination of work experience and on-and-off-the-job training specifically aimed at unemployed youth who have (1) attained the legal school-leaving age; (2) been out of school for at least three months; and (3) worked less than 26 of the previous 52 weeks. Priority is given to those who have not completed their secondary education.

111. In Spain, long-term unemployed persons seeking their first job, who have family responsibilities and whose income is less than the minimum wage, are, for the time being, guaranteed vocational and occupational training courses. While attending such courses, they are paid an allowance equal to the minimum wage in force. It is hoped that this will improve these workers' chances of entering the job market and bring their treatment into line with that provided by unemployment benefit (first time job-seekers are generally not eligible for such arrangements). Another country which has experimented with a guarantee for unemployed youth is Austria. Although already operating a wide range of training schemes, apprenticeships, environmental job-creation and jobclubs, Austria decided in 1986 to provide every long-term unemployed person with the option to attend vocational training, lasting at least six months and for up to two years, for not less than 25 hours a week. During this time the person under training was entitled to an allowance linked to the levels of unemployment benefit, and the cost of training was borne by the Labour Market Administration. The scheme had to be suspended during a budgetary crisis the following year, and it had clearly involved substantial deadweight expenditure.

Older Workers

112. It may sometimes be the case that older people who are registered as unemployed may in fact be retired or semi-retired and are simply drawing the incorrect form of benefit. For instance in the United Kingdom there was a substantial reduction in LTU in the early 1980s when men in their 60's who were drawing the long-term rate of supplementary benefit, and those receiving National Insurance credits only were no longer required to register as unemployed, and also as it became possible to switch to Invalidity Benefit more easily. The recent growth in Restart style counselling in many countries may lead to a similar shift to more appropriate forms of benefit.

113. The rapid rise in unemployment in the early 1980s led to moves in many countries to encourage older workers in employment to retire early and so create posts for younger workers (not necessarily LTU of course). Although some of these schemes survive, e.g. the Special Early Retirement Allowance in France, demographic changes are making such measures less appropriate, and the

shortage of younger recruits expected in most countries in the 1990s is expected to lead employers to revise their recruitment practices and to seek to retain skilled older workers.

114. The older LTU can usually participate in the mainstream programmes for the LTU but are not usually among the priority groups for provision. An interesting exception to this pattern is Spain where the LTU aged over 45 receive priority treatment. Employers recruiting from this group are eligible for a subsidy of 400 000 pesetas and a 50-per cent reduction in the employer's contribution to Social Security for the duration of the contract. They can also be provided with training free of charge at the employer's request.

115. There have recently been signs of increasing interests in this group and a number of schemes have been introduced. In France, since September 1989, unemployed persons over the age of 50 have been given priority in programmes to help the long-term unemployed re-enter the job market. For instance, if an association or local community recruits long-term unemployed people over the age of 50 on Employment Solidarity Contracts, the duration of government support may be up to 24 months, instead of 3-12 months in the standard scheme. If a firm takes on long-term unemployed people aged over 50 under the *Contrat de Réinsertion à l'Emploi* (a re-working of the *Contrats de Réinsertion en Alternance*), it is given permanent exemption from the employer's social security contributions. The United Kingdom is piloting a variant of its Jobstart scheme directed at workers aged 50 and over, who receive £20 a week for up to 6 months for jobs paying £2.57 an hour or less, for a minimum of 10 hours a week. In the Netherlands, at the prompting of the municipalities, the Government has set up projects in the municipalities of Rotterdam, Nijmegen and Dordrecht aimed at creating job substitutes for up to 600 LTU people aged over 39, who have had little formal training and have been identified at an interview as having little chance of finding work. The remuneration of these people will be at around the minimum wage. It will be decided in 1990 whether the scheme is to be expanded or made permanent.

Very Long-term Unemployed

116. The very long-term unemployment are frequently regarded as a priority group because they may have a set of characteristics, such as age and lack of education and training which may have contributed to their situation. In addition, the experience of unemployment will have contributed to a loss of skill and working habits, and hence is likely to have reinforced the unfavourable preconceptions about them. For these reasons they receive special, or priority treatment in many countries.

117. In France the Alternance Reintegration Courses (SRA) have an entry criterion of two or more years unemployment, while the Employment Reintegration Programmes are largely directed at these groups. The Local Integration Programmes (PIL), in particular, are directed at those who have exhausted their eligibility to unemployment benefit and are in receipt of "national solidarity allowances", and 60 per cent of its trainees have been unemployed for more than 3 years. The Netherlands Government regards those unemployed for more than three years as a priority group, and is using Restart interviews to direct them towards the various options such as application clubs, training, and subsidised employment in order to prevent a permanent core of subsidised employment coming

into existence. In the United Kingdom also the aim is to use Restart interviews to help those unemployed for more than two years and aged 18-50 back to work via ET, EAS or a Jobclub.

Women

118. Most countries have measures to assist women to enter or return to employment, or to assist them to enter traditionally male dominated professions, but it is a moot point to what extent these measures may be considered to affect the long-term unemployed. In part this will depend on the characteristics of the benefit system. In the United Kingdom for instance there is usually no financial incentive for married women to continue on the count of unemployed claimants once they have exhausted their eligibility to unemployment benefit. It will depend on the question at issue whether one regards such women as unregistered LTU or economically inactive.

119. In Canada, the Re-entry Option under the Job Entry Program is specifically targeted at women who (1) have been out of the labour force for at least three years, and (2) are unemployed or working part-time.

120. In Austria measures to assist women have taken the form of a Labour Market Women's Programme, launched in 1986. It included measures to incorporate young women, women re-entrants and older women in the labour market, to overcome splitting of the labour market according to sex, and assistance to women whose jobs were changed or threatened by new technology. Among the projects supported were advanced training, strengthening of self-assurance and vocational guidance, as well as the setting up of additional crèche facilities during working hours. Spain has introduced subsidies for employers who engage women in occupations where they are under-represented. In Greece the Manpower Employment Organisation (OAED) has a range of measures to encourage the employment of women including recruitment subsidies, training measures, encouragement of cooperatives and measures to counteract discrimination. In Ireland the State Training Agency FAS provides two courses targeted specifically at women: "The Return to Work" is for women re-entering the labour market after an absence and "Women into Enterprise" is a training programme for women who want to start their own business. In 1988 almost 1 400 women participated in one of these courses with the vast majority taking part in "The Return to Work" programme.

121. The United Kingdom tries to deal with the problem of unregistered unemployed women by encouraging their involvement in mainstream programmes. There are now four ways in which they can enter the main programme for the LTU - ET:

- i) Satisfying the standard eligibility criteria;
- ii) Being "indirect recipients of benefit", i.e. being dependents of people receiving unemployment benefit, income support, invalidity allowance, etc.;
- iii) Having access to enterprise training and higher skills training within the programme;

- iv) Special provision is made for labour market re-entrants who are not registered unemployed and who do not satisfy the eligibility conditions of the programme.

There is similar provision in other programmes. For instance eligibility for Jobclubs is being "unemployed", not being "registered unemployed". Also steps have been taken to encourage women to make greater use of Jobcentre services and to train Jobcentre staff to guard against sex discrimination.

Single Parents

122. A number of countries are paying increasing attention to the employment potential of single parents. Of particular interest is the Australian JET (Jobs, Education and Training) programme. The key features of the project include JET advisers in Social Security offices to assess job barriers and prospects, and advise on services such as child care and extra places on the mainstream measures -- Jobstart, Jobtrain, Skillshare and Jobclubs reserved for JET clients as well as additional educational provision and assistance and a community awareness programme to foster positive views of the employment potential of sole parents.

123. A number of other countries make special provision for single parents. In Spain, within the National Training Plan an experimental scheme has recently been introduced in six provincial capitals for the training of sole parent women with family responsibilities, either in INEM or in individual enterprises with the aim of reinserting them into the labour market. Within the United Kingdom ET programme there is provision for entry of single parents provided they have been in receipt of income support for at least 26 weeks, and their youngest child is in full-time education, as well as through the general entry condition of 6 months unemployment, or other general entry conditions such as skills shortage training or the returners group mentioned above.

Ethnic Minorities

124. Many of the countries represented on the panel had significant ethnic minority communities, and as we have seen in Chapter 1 these communities may be particularly susceptible to unemployment in general and long-term unemployment in particular. It has not been usual to target measures particularly on ethnic groups (and in the few cases where it has occurred, as in the Netherlands "Thousand Jobs Scheme", which was specifically meant for the Moluccans, it was not explicitly targeted on the LTU). Ethnic minorities may well be represented in significant numbers on certain measures (as with the Netherlands Centres for Vocational Education and Guidance within the PBVE scheme), and it may be desirable to make specific provision for their needs within mainstream measures. For instance within ET the United Kingdom's Training Agency has reserved 2 000 places to assist people for whom English is a second language. There are also a number of Jobclubs operating which serve minority communities. The Employment Service reprints a great deal of its publicity material in minority languages, including Bengali, Chinese, Gujarati, Hindi, Punjabi, Urdu, Vietnamese and Welsh.

Other Groups

125. The other groups for which special provision needs to be provided tend to be relatively small, but nevertheless provision needs to be made for them if they are to be enabled to make a full contribution to the community and have a better life. These include people with disabilities, a majority of whom, with appropriate assistance should be able to participate in mainstream training courses alongside non disabled people, and eventually obtain conventional employment. There is likely also to be a minority who will require much more specialised provision and will eventually work in sheltered employment.

126. There will inevitably be other groups for which there is some special provision. In the United Kingdom ex-offenders can count time spent serving a custodial sentence as part of the qualifying period for ET, so someone who has served six months can enter the scheme on leaving prison. Time in prison can also count towards the qualifying period of unemployment for Restart courses, Jobclubs and Jobstart. There are also special Jobclubs which serve ex-offenders. Ex-services personnel who have completed at least three years service can also enter ET immediately on leaving and are immediately eligible for Jobclub membership.

127. In Canada, Social Assistance Recipients (SARs) have been designated as a special target group requiring labour market assistance. A joint Federal/Provincial agreement, reached in 1985, resulted in the diversion of considerable amounts of social assistance funds to Federal and Provincial labour market development programs for Social Assistance Recipients. In addition, specific targets were established for the participation of SARs in CJS programs, principally Job Development and Job Entry. This initiative is scheduled for in-depth evaluation by 1991. Meanwhile, the evaluation of the Job Development Program revealed a positive impact upon the employability of participants who had been SARs prior to participation. The evaluation of the Job Entry Program indicated that less than 50 per cent of participants who had been SARs were receiving social assistance approximately two years after completing the programme.

Chapter 7

THE ROLE OF EVALUATION

Introduction

128. Evaluation may be defined as the detailed and critical examination of a policy or programme while it is in operation or after it has come to an end. As such it may be distinguished from appraisal, which is an analysis carried out before the programme is launched, but which may use similar analytical techniques. Evaluation is also to be distinguished from monitoring, which is the regular checking of performance against plan, and from the carrying out of post programme surveys, even though both are likely to generate valuable information which will enter as an input into the process of evaluation.

129. Evaluation will seek to discover the incremental effects of a policy or programme in financial or real economic terms. In the labour market context an evaluation will seek to discover the effect of a measure in terms of a net increase in employment and earnings as well as output, relative to the additional consumption of resources it entails. This may be distinguished from the results of monitoring which will typically involve measuring the direct effects of the programme in terms of the number and types of participants and their immediate outcomes. Evaluations will typically be undertaken on an irregular or one-off basis, while monitoring will be carried out either continually, or at very regular intervals.

130. Regular evaluation is desirable in order to indicate whether the best possible use is being made of available resources in the attainment of policy aims. In addition it may also provide an input into major policy decisions affecting the continuation, modification or termination of particular programmes. It may also augment regular monitoring data in providing operational managers with some indication of the extent to which they are accomplishing their objectives. In the light of these considerations it is remarkable that so few resources have been committed to the evaluation of manpower measures.

131. Despite this caveat many of the countries participating in the panel evaluate their measures with varying degrees of sophistication. Among the most thorough analyses are those carried out in Canada where Treasury Board regulations require that Government Departments periodically evaluate their programmes. In France the evaluation of programmes is harmonised and co-ordinated by the *Délégation à l'Emploi* and the *Délégation à la Formation Professionnelle* of the *Ministère du Travail, de l'Emploi et de la Formation Professionnelle*, the *Service des Etudes et de la Statistique du Ministère*, the *Direction des Etudes de l'ANPE*, and the *Service d'Etudes de l'UNEDIC*. In the United Kingdom, following recommendations by the House of Commons Public Accounts Committee, an inter-departmental group was set up which established an

agreed methodology for evaluating programmes relevant to employment. Australia also has a commendable record of evaluation through its Bureau of Labour Market Research, and although the Bureau was abolished in 1986, evaluation work has continued to be carried out by the Programme Review and Income Support Branch of the Department of Employment, Education and Training. Most of the other participating countries acknowledge the desirability of evaluation and evaluate some, if not all of their programmes. However, as we have seen, many of the participating countries have recently introduced significant changes in their employment programmes, and frequently no evaluation is available on the more recent measures.

132. There are a number of reasons why the comparison of evaluation results are difficult even within one country. These problems are compounded when one seeks to make inter-country comparisons. The first difficulty concerns the techniques of evaluation. A number of these techniques should be noted:

- i) Cost-benefit analysis: This is the most general technique of evaluation, which involves expressing in money terms as many of the resource costs and benefits as possible, including those which are non-marketed, or where market value does not reflect their economic value. This permits a comparison of various policy options in terms of their net present values or rates of return.

Because cost-benefit analysis can be shown, under certain very restrictive conditions, to lead to an economic optimum, it can be regarded as a benchmark against which less general techniques can be judged. However, cost-benefit analysis is frequently too complex and over sophisticated for labour market applications. A particular problem arises from the attempt to present outcomes as a single value measure. This is technically difficult, particularly if one is using "shadow" values for some component variables, because the result tends to be highly sensitive to assumptions about inputs, and is unnecessary as policy-makers tend to specify labour market objectives separately. Consequently, less general techniques are often employed which seek to approximate some aspects of cost-benefit results:

- ii) Cost-effectiveness analysis: This form of analysis compares the costs of different ways of achieving the same or similar output. It is often used when it is difficult to reduce outputs to a common monetary value.
- iii) Exchequer costs-analysis: A form of analysis which considers the implications for the Government sector of achieving given objectives. In the United Kingdom the effectiveness of employment measures is often judged in terms of net Exchequer costs per person no longer unemployed. This involves estimating flowbacks to the Exchequer in the form of benefits saved and additional revenues from direct and indirect taxes. (Such estimates are augmented by qualitative assessments of longer run and supply performance effects, see note 10.) In France the forecasting branch (*Direction de la Prévision*) of the Finance Ministry calculates the cost of using different alternative methods to reduce unemployment.

- iv) Performance indicators: The degree of success of a policy may be indicated by a comparative assessment of outputs or inputs, or of some proxy measures when those are not directly measurable. An example from the labour market might be the monitoring of job-search times or vacancy filling times.

Although the Canadian documentation reports results based on cost-benefit analysis for two training schemes, the participating countries usually employ one of the less general methods.

133. A second problem of comparison arises from differing objectives. We have seen that different countries may define long-term unemployment differently. In addition it may be the case that some countries weigh the advantages of removing a long-term unemployed person from unemployment no more highly than the removal of a person from short duration unemployment. On the other hand many countries value assistance to certain subgroups within the long-term unemployed more highly than others. It is also possible that there may be a conflict of aims in the time dimension, for instance some countries may give higher priority to increasing the future employability and earnings power of the LTU than to having an immediate impact on the unemployment count. Such a conflict might arise if the policy-maker was confronted with the problem of allocating a fixed amount of resources between relatively cheap direct job creation measures and more expensive training schemes.

134. Such differences in objectives will influence the attitude towards substitution by the policy-maker, i.e. if a policy leads employers to recruit long-duration unemployed in preference to short-duration unemployed it will be regarded more highly by a policy-maker who gives a greater weight to the LTU than by one who regards assistance to all unemployed people as of equal value. (The issue of substitution is also of key importance if net Exchequer costs are being used as a measure of policy effectiveness: in the substitution case there will be no additional tax and benefit flowbacks, whereas when there are additional net jobs there will be. Furthermore targeting a policy on the LTU may have the favourable consequence of increasing effective labour supply.)

135. A third area of conflict in interpretation is created by the differing sophistication of the analysis. Any judgement of the effectiveness of a programme must be relative to some counter-factual or baseline case. For instance if we consider the jobs created by an employment subsidy we may divide them into four components:

- i) Deadweight, i.e. those jobs which would have been created even in the absence of the subsidy;
- ii) Substitution, i.e. those jobs which are provided for the target group, but which would otherwise have gone to non priority groups among the unemployed;
- iii) Displacement, i.e. jobs which are lost elsewhere in the economy through the competitive process as a result of certain employers receiving financial assistance to encourage them to recruit from the target group;

- iv) Induced jobs, i.e. the net number of jobs which would not have existed had the subsidy not been in place.

In addition policies may sometimes create time displacement of employment creation. It is sometimes possible to approximate to these components by direct methods, e.g. conducting a survey of employers, and asking them what they would have done in the absence of the measure. On other occasions it may be possible to use sophisticated econometric techniques to isolate incremental effects of programmes. However a more effective way of dealing with the problem of measuring a base line case is by means of a survey containing a randomised control group. Even here however there are many practical problems, for instance the exclusion of a randomly selected group from the benefits of an employment programme will create a problem of equity (and possibly political problems). Furthermore even if a control group were constructed for a comprehensive measure the results may well not mimic the "policy-off" situation since those excluded might be expected to lose out in the subsequent competition for jobs, and so the effect of the measure will be exaggerated.

136. It is sometimes argued that an effective way to evaluate a programme may well be by means of a pilot or demonstration project before it is introduced nationally (see note 11). Attractive as this option is to the evaluator, it is also not devoid of practical difficulties. For instance if the benefits of a programme are expected to accrue in the longer run, e.g. after trainees have completed a training scheme, it is unreasonable to expect that policy makers, confronted with pressing practical difficulties, will defer implementing some measure until evaluation results are available. It may also be difficult to implement measures on a small scale, for instance if there are scale economies (or diseconomies) in implementation. This might occur if take-up is dependent on a publicity campaign which was most effectively carried out in the national news media. It also frequently seems to be the case that measures become more effective over time, due to the increased experience of their administrators, and because knowledge spreads slowly among employers and potential clients (see note 12). These considerations suggest it is not possible to specify a technique of evaluation applicable in all instances, but that procedures will have to be developed to suit particular circumstances.

137. A fourth area of difficulty in inter-country comparisons of employment measures is that of controlling for extraneous structural and macroeconomic features. This feature makes it particularly dangerous to compare the results of follow-up surveys between countries, although even more sophisticated forms of evaluation may not succeed in controlling for all differences. For instance if we attempt to judge the effectiveness of a measure in terms of follow-up results, even in a similar macroeconomic environment, differences in the effectiveness of the employment service, or in the degrees of geographical, industrial or occupational mismatch will affect the results. Macroeconomic features will clearly have a substantial effect: in an improving economic situation a follow-up survey must be expected to generate better job placements results than when the situation is deteriorating. Nevertheless, despite these difficulties we shall try to draw some substantive conclusions on the effectiveness of measures from the evaluation evidence available.

Evaluation of the Employment Service and Job-search Methods

138. An evaluation of the effectiveness of an entire administrative structure is clearly a highly ambitious undertaking and it is not surprising that few countries have attempted it. One example is Ireland which carried out a review of its then main State training agency AnCO in 1982. The final report was submitted to the Ministry of Labour in November 1985, and became an input into the 1986 White Paper on Manpower Policy, which announced the formation of one training authority for the State, as well as decisions on training, special labour market measures and the placement and guidance function. More recently, Canada evaluated its National Employment Services Program in order to establish the extent to which it contributes to efficient and equitable labour market adjustment. The evaluation lasted two years and cost \$1.5 million (see note 13). It had nine components:

- i) International Comparisons;
- ii) A survey of employers hiring practices;
- iii) A survey of workers hired by firms;
- iv) A Canadian Employment Centre (CEC) exit survey at 2, 6, 12 and 24 month intervals;
- v) A counselling study;
- vi) A sample survey of job orders placed by employers;
- vii) Costing of CEC operations;
- viii) Use of computerised administrative information;
- ix) A survey of private sector placement agencies.

The evaluation addressed fundamental issues regarding the *raison d'être* of a federally-funded placement service and assessed the impact of the revitalisation process in terms of improved services to clients and potential cost savings in the Employment Services.

139. Preliminary results of the Canadian evaluation indicated a high degree of satisfaction by workers and employers using CEC services, although most reported that the CEC did not help them find a job any sooner. Employer clients were satisfied with the CEC's staff and the convenience of the service but were less satisfied with the screening of the candidates. A high degree of satisfaction was reported by employers using the labour market information provided by the CEC. The operational performance of CECs was judged favourably in relation to past and international standards but the revitalization process produced little discernible impact upon performance indicators such as speed and number of referrals. Benefits stemming from CEC use are essentially related to improved equitable access to the labour market and display a strong cyclical element. Men appear to benefit in slack labour market periods (i.e. high unemployment period) while women benefit more during "normal

conditions". There is some reduction in job-search time for the female long-term jobless in "normal" labour markets, and for long-term unemployed males in a cyclically depressed labour market. Counselling, when combined with a referral to either a job interview or to the Canadian Jobs Strategy Programs, improved the probability of finding a job. Counselling alone showed no beneficial impacts in terms of improved wages, employment stability, or probability of finding a job. However, counselled clients experienced higher job satisfaction than did non-counselled clients. Although most interactions in the labour market take place without CEC intervention, the public employment service plays a significant secondary role in job search and recruitment. The National Employment Services Program has little impact on reducing UI claimants' job search period. The major conclusions from the evaluation study suggest that the rationale for continuing a publicly-funded employment service lies more with its equity objectives than with the conventional justification of its brokerage function to efficiently match workers with vacant jobs. The most prominent role which has emerged over the past decade for the Canadian public employment service, as in most other OECD countries, is a focal point for delivering other federal labour market programs such as job creation and training (e.g. CJS, Employment Equity). The placement and counselling functions have proved most efficient when directed to specific situations such as plant closures and mass layoffs, skill shortages, and services to the employment disadvantaged.

140. Other countries are attempting to evaluate the activities of their employment services in a more piecemeal fashion. The United Kingdom is attempting to evaluate the Restart process by means of a cohort study of clients plus a randomised control group. It is intended that there will be two sets of interviews after clients have passed through the system. The information collected will supplement administrative data, an analysis of Restart forms and computer tracking of a sample of unemployment records in an attempt to judge the effectiveness of the scheme.

141. The Portuguese are attempting to evaluate their vocational information and guidance programme (described in chapter 3 above) by means of a pilot study in five local job-centres. The effectiveness of the programme was to be judged at the end of the pilot period by a meeting of the agents who had presented the sessions locally.

142. The United Kingdom has a programme for the evaluation of its Jobclubs containing the following components:

- i) A value added study, i.e. an estimate of the difference that Jobclubs made to long-term unemployed persons chances of getting a job and the type of job they obtain. This is being done by means of a personal interview of a sample who attended jobclubs, plus a control group, carried out some 5 or 6 months after their Restart interview.
- ii) An econometric analysis of administrative returns provided by individual jobclubs. It is hoped to explain job entry rates in terms of such characteristics as age, gender, location, number of applicants, number of interviews, size of jobclub, etc.

- iii) A postal survey of jobclub leavers carried out six months after entry to the jobclub, aimed at discovering their current labour market status.

In addition there are various surveys of a less economic nature, such as a survey into which personality characteristics make jobclub leaders effective. This is fairly typical of the programmes of surveys and analyses concerning United Kingdom measures.

143. The measure to encourage self-employment in the United Kingdom, EAS, has a rolling programme of surveys of applicants carried out at 6, 18 and 36 months after entering the scheme. This information enables Employment Service management to monitor how well the objectives of the scheme are being met, provides information for the briefing of Ministers and senior management, and assists the calculation of net exchequer costs per person no longer unemployed, which, together with qualitative assessments of longer-run and supply performance effects provides a means of judging the relative effectiveness of different measures. In addition to the rolling programme, various ad-hoc surveys and analyses may be commissioned from time to time, e.g. a study of the displacement effects of EAS is currently underway. A follow-up survey carried out in 1988 indicated that 40 per cent of participants would have set up in business anyway (deadweight); in 27 per cent of cases start-up was brought forward, and 32 per cent of firms would not have started up without EAS. Some 73 per cent of participants had survived to 12 months and the survivors tended to be male, and in the older (35-45) age group.

144. The comparable scheme in Ireland, "the Enterprise Programme", was evaluated in 1988 by means of a sample survey undertaken by the Economic and Social Research Institute (ESRI). This found that the scheme made a modest contribution towards creating additional jobs and reducing unemployment. The businesses found most likely to survive were those where the participant was aged 25-44, had previous experience or formal training in the work involved in his or her business, had at least a minimal level of educational qualifications, where the business operated from specific premises rather than home, and had a large, rather than small initial investment of capital. In addition, businesses set up by those who had spent a short, rather than a long time unemployed were likely to survive longer. Evaluation of the Australian self-employment generating scheme NEIS found that 69 per cent of participants surveyed were still in self-employment three months after the NEIS support ceased, compared with an informal comparison group where 54 per cent were still in self-employment, while another 7 per cent of NEIS participants were in other employment. Further, NEIS businesses had directly created one extra job for every 1.5 businesses in operation.

Evaluation of Training Measures

145. The evaluation of training measures requires explicit consideration of the time dimension. The benefits of a scheme to its participants will be reflected in subsequent labour market experience as compared with what would have happened had they not entered the scheme, i.e. it will consist of additional time in employment and additional earnings which result from the increase in skills. When calculating the effects of a measure as a whole,

allowance also needs to be made for deadweight, substitution and displacement effects using interview surveys with participants, trainers or providers of work experience. But the main tools for evaluation of training measures will be follow-up surveys or cohort studies.

146. France has a systematic evaluation programme for each of its measures which has three components:

- i) A monthly tally showing quantitative indicators of progress and financial commitment on the measure. This is the basis of the assessment of beneficiaries and cost of the programme which appears each year in "Employment Accounts".
- ii) Each quarter, administrative data is analysed to provide information on the characteristics of the trainees (in terms of age, sex, level of training, and length of unemployment), the programme content and the characteristics of the training provider. This provides a check on the extent to which the programme is meeting its objectives.
- iii) A follow-up interview survey of programme participants, usually six months after the end of the course.

Two shortcomings of this procedure have been recognised -- the lack of a control group, and the lack of a longer-term follow-up. To remedy these problems, it was decided to follow up a sample of LTU on their employment situation every six months for a period of 18 months to 2 years. In addition to this systematic programme, other ad-hoc surveys and analyses are carried out from time to time. These evaluations are usually carried out by external bodies such as university research teams, private sector research organisations, or teams from the National Science Research Centre.

147. It is difficult to draw general conclusions from the results of follow-up surveys, particularly in an international context where no allowance has been made for differing macroeconomic circumstances, nevertheless it is possible to draw a few general conclusions (see note 14). The follow-up surveys show that for one third of the long-term unemployed, training is just a temporary digression from unemployment. The others in the surveys carried out 3 to 6 months after leaving the schemes either are employed, or have had some employment even though they may subsequently have lost it, or else have the prospects of a job. However to put these results into context they should be compared with the probability of leaving ANPE in the same three month period to take a job, which on average did not exceed 10 per cent. It is also worth noting how the schemes affect some subgroups. Those measures which contain an element of work experience seem to particularly benefit young adults (aged 25-39). Workers over the age of 50 are under-represented on all of the measures, even standard training courses, and it seems that for older people training is not the most effective method of assisting with employment.

148. The French evaluation programme is not untypical of the evaluation procedure followed in a number of other countries. In the United Kingdom the evaluation strategy for ET is still being designed, but it will build on the experience of its predecessors such as Community Programme (CP) and the New Job Training Scheme (NJTS), and as well as making the fullest possible use of

administrative data is likely to include quantitative and qualitative surveys of trainees at each stage of the process, i.e. the referral stage, the Training Agent stage, the Training Manager stage etc. In addition there will be a 100 per cent postal follow-up survey to discover labour market status 3 months after leaving plus a series of sample surveys at 6, 12 and possibly 24 months after leaving. Consideration is being given to the construction of a randomised control group and there will be various additional surveys and analyses of participating employers, special needs groups, etc. This strategy will continue the traditional United Kingdom approach of concentrating on additionality and calculating net exchequer costs, but it also tries to give more serious attention to the time dimension than earlier programmes, and it may eventually be possible to estimate a rate of return to training.

149. The Australian system employs a two level approach. There is a Monitoring Infrastructure which gathers data from two main sources. Most labour market programmes have management information systems capturing unit record data on programme participants. The system used by the majority of programmes is the PASS (Programme Administration and Statistical System) which became an online system in December 1989. The PASS system incorporates a process of participant follow-ups to establish their employment status three months after leaving a programme (Post Programme Monitoring, PPM). An annual programme of evaluations, mainly conducted in-house in the Programme Review and Income Support Branch of the Department of Employment, Education and Training, is carried out to complement the data available from the management information systems. A number of such reviews suggested the need for the reorganisation which led to the Newstart strategy, but no evaluations of the components of that strategy were available at the time of writing.

150. In Spain evaluation is centred around the national training plan. This contains a number of target groups as well as the LTU, e.g. youth, school drop-outs, workers in enterprises undergoing restructuring, etc. A study group has been set-up to ensure that training remains relevant, covers the needs of firms, generates satisfactory results, etc. Research has been undertaken which has found out from employers which occupations are likely to expand or contract, and in what sectors there are likely to be shortages of appropriately qualified workers. It also looked at the training provided to support those occupations, whether it was sufficient, and whether persons were unemployed because their training was insufficient. It is intended to do a follow-up survey of former trainees each year to provide feedback to inform the management of the training plan of necessary adjustments.

151. In Canada, early evaluations of training programs such as the Canada Manpower Training Program were based upon benefit-cost analyses which did not utilise comparison group techniques. The lack of comparison groups represented a shortcoming and certainly resulted in an overestimation of impacts. However, in a relative sense, Basic Training for Skill Development (BTSD) a form of academic upgrading, was shown to be less effective than skill training in an institutional setting. Industrial on-the-job training for the unemployed appeared to be relatively more effective than institutional training.

152. Subsequent evaluations under the National Training Program did utilise comparison groups and confirmed that BTSD had little impact upon post-program labour market performance of trainees. While employability of BTSD trainees improved after training, this rise occurred over a period of steadily improving

labour market conditions and was not statistically significant in the light of the experiences of a comparison group of non-participants. Females were over-represented in the BTSD category in comparison with their proportion of skill training. BTSD trainees tended to be young and had little formal education. A significant proportion of trainees withdrew from the labour force after training, some to take further training, others for family-related reasons. Basic Training for Skill Development constitutes one element in human resource development and, as such, worked better in conjunction with a subsequent skill course as part of an integrated career plan. This alternative produced results approximating that of skill training alone. In an institutional setting, the impact of skill training appeared roughly comparable to spending the same amount of time in the labour force. Much training was undertaken in surplus occupations and this, naturally, was less effective than training in shortage occupations.

153. The Royal Commission on Economic Union and Development Prospects for Canada, in its final report in 1985, strongly supported the trend towards greater emphasis on on-the-job training vis-à-vis institutional training. With the introduction of the Canadian Jobs Strategy in 1985, an effort was made to reduce the proportional share of training funds spent on direct purchases from training institutions and to make all training more relevant to the demands of the labour market. Indirect purchases arranged through employers or other co-ordinating groups were expected to more accurately reflect the skills needed in the economy.

154. A number of lessons have been learned from evaluations of industrial or employer-centred training. A major finding of evaluations of the Canada Manpower Industrial Training Program (CMITP) and of Critical Trades Skill Training (CTST) pointed out a lack of incrementality, i.e. whether or not employers were being paid to do what they would have done in the absence of the program. Under CTST, evaluators believed that at least half of the supported training would have occurred without program support. Careful monitoring was required to ensure that training actually took place. The scope for industrial training was especially limited in those areas where the private sector was less dynamic, but where unemployment tended to be particularly severe. Moreover, employers tended to "cream", i.e. select those trainees who were the best qualified and, therefore, not those most in need among the unemployed. Further disadvantages to industrial training arise from the frequent lack of transferability of skills taught as well as the vulnerability of program activity to recessions. Critical Trades Skill Training, which concentrated on higher skilled occupations, substantially increased the productivity of trainees. Incrementality was relatively greater in small firms, in trade and service industries, and for longer duration training. In common with CMITP, the evaluation showed that incrementality was generally around 50 per cent.

155. Evaluations in Canada and elsewhere have suggested that programs which combine on-and-off-the-job training offer the potential for more favourable labour market outcomes. A good Canadian example of this approach was the Youth Training Option (YTO) which produced impressive gains in employability and earnings for participants when compared with the results for a similar group of institutional trainees.

156. Evaluation findings are now available for the Job Development Program (JDP) which is targeted exclusively on the long-term unemployed. Within JDP, three program options, or sub-programs, were evaluated: the General Projects (GP) Options; the Individually Subsidised Job (ISJ) Option, which targets those with some social and/or cultural barriers to employment; and, the Severely Employment Disadvantaged (SED) Option, which targets those with major personal barriers to employment, such as disabled persons, ex-inmates, and drug abusers. The options varied in their degree of success in assisting the long-term unemployed to improve their employability. When compared to the labour market performance of non-participants, SED and ISJ participants benefited by working more hours in the post-program period. Male GP participants, however, did not benefit relative to non-participants. After the programme, many participants obtained entry-level jobs, especially in secretarial, clerical, and service occupations. JDP had little or no incremental impact on earnings. With the exception of male SED participants, JDP tended to increase the amount of time participants drew UI following the programme relative to a comparison group. This is not unexpected since JDP is a wage subsidy program that allows many participants to establish UI eligibility. JDP benefited those in greatest need such as social assistance recipients (SARs). Factors shown to have a significant impact on the post-program employability of JDP participants (compared to non-participants) included: the length of time on the program; remaining in the program until completion; and being placed with a private sector sponsor during the program.

Evaluation of Measures to Improve Employment Options

157. Turning first to marginal employment subsidies, it is clearly possible to obtain a good deal of information on the cost and effectiveness of these schemes by means of surveys of participants and former participants. An example is the evaluation of the Irish Employment Incentive Scheme which was carried out by ESRI in 1988 and concluded that the high deadweight element prevented it from having a significant job creation effect, but also found it to be an inexpensive scheme. Recent surveys in France of employers who have engaged workers under employment subsidy schemes for first employers, or contracts to return to employment, show estimated rates of net creation of the order of 40 per cent. Another typical evaluation strategy is that for the United Kingdom's employee recruitment subsidy Jobstart. This has involved interviewing a sample of current participants, of former participants, and of employers. (The latter survey creates difficulties as it is not necessary for the employer to know that his employee is receiving the subsidy. This problem was avoided by designing a short questionnaire for those who did not know and a longer one for those who did.) The results of the surveys indicated that the scheme had been rather more successful than expected in the planning stage with some 35 per cent of jobs being non-deadweight. (The figure of about a third of the jobs being induced seems fairly common in subsidy schemes: evaluation of the Netherlands MLW scheme suggests a similar figure.) Of course if one values highly the substitution of jobs in favour of the target group one's judgement of its effectiveness will be higher.

158. The disadvantages of evaluating subsidy schemes by means of such survey methods are that they tend to neglect displacement effects, and also longer run and supply performance effects such as those caused by the increased human

capital generated by the work experience, and the effect of increased effective labour supply on wage pressure. There are no easy ways of overcoming these problems, although studies are under way to examine displacement by means of very detailed studies of local labour markets (see note 15).

159. The usual method of evaluating direct job creation projects is by means of surveys. For instance, the Community Programme (CP), the United Kingdom's predecessor to ET, included administrative data about participants, projects and expenditure, interview surveys of participants and sponsors, postal follow-up surveys of former participants, and a wide range of ad-hoc surveys and analyses. This suggested that the amounts of deadweight and substitution were very small, that 96 per cent of participants were drawn from the unemployment count, and that net Exchequer costs compared favourably with other employment measures. There were significant supply performance effects in that the projects added to the social capital stock, up to 59 per cent of participants received training of some sort, and even those who did not were readjusting to the habits of a working environment. Moreover, the more job-ready people emerging from the scheme were adding to the effective labour supply and reducing wage pressure. However, it was evident that CP was recruiting the younger, better educated and more highly motivated of the LTU, an effect that was reinforced by the method of payment, which had to be comparable with local rates of pay and was only for part-time work, so that it acted as a disincentive to older LTU with dependants who would have been on higher rates of benefit. It was this creaming effect, together with a desire to increase the training component which led to the replacement of CP with ET in 1988.

160. Canadian experience with a variety of direct job-creation measures has shown them to be quick to mount, easily targeted and able to effectively increase employment of a temporary nature so reducing cyclical and seasonal unemployment. But, they tend to be relatively costly and do not effect post-programme labour market performance. Although direct job-creation measures may be useful during temporary down turns there is a danger that their existence will maintain the status quo and retard necessary industrial restructuring if permanent declines are mistaken for temporary aberrations. There is also a problem in measuring the output of such schemes, (this difficulty was also faced with CP in the United Kingdom). Despite these problems, direct job-creation schemes may be useful as a means of reducing "scarring" (deteriorating skills resulting from long periods of unemployment) and of providing income support in times of high cyclical unemployment.

Lessons Learned

161. In the course of this chapter we have been able to indicate some of the lessons learned during the processes of evaluation undertaken by the panel countries. These generalisations do however refer to points of detail about particular kinds of measure. It is clearly not possible to make highly general statements about different types of strategy, e.g. about the relative merits of training schemes vis-a-vis employment subsidies vis-a-vis investment in placement services. Moreover it is not clear to what extent these lessons of detail can be carried over to countries in different macroeconomic situations and with different institutional arrangements. There may be some exceptions to this statement where countries have examined similar measures using techniques

of sufficient sophistication to yield results capable of generalisation, e.g. recruitment subsidies and direct job-creation methods. We may hope for further examples of such incremental progress given the recent convergence of policies, e.g. Restart interviewing, Jobclubs and training schemes containing a significant "on-the-job" element. It is also possible to detect an increasing commitment to using more sophisticated evaluation techniques, as evinced by the increasing use of randomised control groups, although there is still considerable scope for improvement in most countries. It is unfortunate that many of the policy changes and commitments to enhanced evaluation are so recent that there are few results to show from them yet.

Chapter 8

CONCLUSIONS

The Economic Environment

162. The previous OECD report on long-term unemployment was able to report on the diverse set of measures which had been established in the various panel Member countries in the course of the recession of the early 1980s. In this we have been able to describe the continuing development and expansion of those and similar policy initiatives, and to report the lessons of administrative experience and formal policy evaluation. However, it is clear that the economic and demographic environments of the 1990s will be significantly different to those of the last decade. In this final chapter we shall consider the extent to which the policies developed in the 1980s should continue unchanged into the 1990s, and whether new initiatives, or significant changes in policy packages will be required.

163. There will be at least four major factors operating in the 1990s which will cause the economic environment to differ from that of the 1980s:

- i) Actual output is likely to be closer to potential output in most advanced countries;
- ii) Labour supply is likely to increase less rapidly than in the last decade;
- iii) There will be a significant change in the age structure of the labour force with a declining proportion of young people;
- iv) Events in Eastern Europe and the Soviet Union are likely to influence developments in the European OECD countries.

To judge the relative importance of these factors we can consider them in the light of the most recent OECD forecasts, not because we regard those forecasts as infallible, but because they provide some approximation to the orders of magnitude involved and will indicate the likely differences between panel countries.

164. In all panel countries there have been improvements, often substantial, in the level of unemployment since they reached their peaks in the early and mid 1980s. However, total unemployment rates generally remain higher than they were a decade ago (although Portugal is an exception to this generalisation). This improvement is expected to persist in most panel countries in the next few years, although in a minority, including some of those in which the recovery has been most spectacular, including Australia, Canada, and the United Kingdom there is likely to be some increase in unemployment as a consequence of

domestic anti-inflationary policies. It is difficult to take a view on unemployment in the longer term without making assumptions on developments in the wider economy which are beyond the scope of this paper. However, although it is never possible to rule out the risk of supply side shocks such as that which generated the increases early in the last decade, it seems probable that economies may operate closer to full capacity than in the recent past. In addition there are factors affecting the supply of labour in the medium and longer term which will influence the level and composition of unemployment, and provide opportunities for the reintegration of the long-term unemployed into the labour force (see note 16).

165. In all of the panel countries considered in the *1988 Employment Outlook* study (see note 16), the expected growth in labour supply between 1987 and 2000 will be substantially less than it was between 1973 and 1987, and in Austria, Canada and the United Kingdom it is likely to be less than half the rate of the earlier period. This is mainly due to an expected deceleration in the growth of the population or working age. In Austria, France, the Netherlands and the United Kingdom it is entirely attributable to this factor, although in Canada a deceleration in the rate of increase of participation rates is also expected to contribute.

166. In addition, the number and proportion of young persons in both the population and the labour force are likely to decline. The fall in the youth labour force is likely to be sharpest in the Netherlands where the proportion of young people (aged 15-24) could decline from about 20 per cent in 1987 to around 12 per cent by 2000, and also in Austria where the decline will be from 23.7 per cent in 1985 to around 12 per cent by 2000. These changes are mainly a reflection of past changes in birth rates, although increasing participation in the education system may contribute to a further decline in the participation of young people in Austria, Canada, France and the Netherlands. It is likely that this sharp decline in the proportion of young people will lead to shortages in the entry level workforce, particularly in occupations which rely heavily on the recruitment of school-leavers. This decline in the proportion of youths in the labour force will be offset by a growth in the proportion of "prime-age" men and women, although in some countries there will be a decline in the proportion of younger prime-age people.

167. This changing economic and demographic situation implies that employers may be facing labour shortages in key areas, if not overall. Clearly the long-term unemployed will continue to face competition for jobs, perhaps from re-entrants to the labour force and from older workers who may choose to postpone retirement. Another source of competition may be from immigrant workers, with Eastern Europe perhaps becoming an increasingly important source for Western European countries, although demand for capital and consumer goods from the east is likely to provide a countervailing influence on the demand side. Together these factors suggest there will be increasing opportunities for reintegration of the long-term unemployed.

168. We have seen that the average probability of finding employment declines rather sharply with the length of time spent unemployed. Furthermore it is often the case that when longer term unemployed people do leave unemployment it may well be to leave the labour force temporarily or permanently, to join a scheme which may recycle them back into unemployment on its termination, or to take part-time or temporary jobs which may contain a high risk of further

unemployment (see note 17). In fact it has been argued that long-term unemployed people cease to be part of the "effective" labour force, even though continue to belong to it as far as official statistics are concerned (see note 18). However, the recent rapid falls in unemployment in a number of panel countries have not been accompanied by a rise in the incidence of long-term unemployment as some commentators expected (see note 19). No doubt the policy initiatives discussed earlier have contributed to this result, by helping LTU people back into employment, into alternative forms of income support, and in some cases recycling of LTU people through programmes to the short end of the unemployment count. Nevertheless it may be that some of the views expressed about the difficulties of reintegrating LTU people into employment were unduly pessimistic. We must now consider, in the light of the earlier discussions of the various policies and results of evaluation, the best way that the scarce resources of governments can be deployed to secure that reintegration back into employment.

The Appropriate Response

169. The previous OECD report on long-term unemployment stressed the undesirability of confining policies to assist the long-term unemployed to a single measure, but instead called for a set of measures "tailored to meet the economic situation, the requirements of employers and characteristics of the long-term unemployed people in the labour market". The evidence of the present panel leads us to endorse that conclusion. The task of this final section is to consider how in the light of administrative experience, evaluation evidence and the changing environment, those packages of measures should be modified.

170. It is necessary to consider whether it is appropriate to define a target group in terms of unemployment duration. If the problem economies face is one of the heterogeneity, that is, if it is the personal characteristics of unemployed people which determine their employability, it might be possible to identify those at risk at an early stage of their unemployment spell, but we have already seen that this does not seem generally to be possible for a number of reasons:

- i) It is not easy to identify the characteristics of groups most at risk;
- ii) Large numbers of even the high-risk groups leave unemployment before the long-term stage. There is then a risk of wasting resources on this deadweight group;
- iii) There is evidence that state dependence is important, i.e. the experience of unemployment leads to a deterioration of skills slackening of job-search and unfavourable perceptions by employers;
- iv) The characteristics of long-term unemployed groups may vary as the level of unemployment changes.

These factors suggest that it is appropriate to regard the long-term unemployed as a target group in their own right. However, governments may also wish to target policies on sub-groups within, and overlapping, with the long-term

unemployed, for reasons particular to those groups. In addition further investigations, perhaps making use of the judgements of local office staff, may make it possible to define the groups at risk more accurately. Even if this is not the case there may be some scope for directing resource light policies such as job clubs at these groups.

171. The design of benefit systems is an area where a careful balance needs to be struck between equity and efficiency considerations. Replacement ratios need to be set at a level which is sufficiently high to permit long-term unemployed people and their dependants to maintain an acceptable standard of living, but not so high as to discourage them from accepting jobs which while not so attractive as they hoped to obtain, may nonetheless be the best the labour market has to offer. The process of reintegration may also be assisted by the design of in-work benefits and by allowing long-term unemployed people to accept part-time work without complete loss of benefit. It is necessary to ensure that benefits are limited to those entitled so that resources can be concentrated on those in genuine need and the confidence of employers and the public in the system is maintained.

172. There is now a well established trend, which was already apparent in the previous report, for the commitment of resources towards the intensification of placement and counselling activity for long-term unemployed people. This has often been accompanied by restructuring of the public employment service itself with the intention of increasing the integration and efficiency of delivery. These changes are being evaluated more thoroughly than in the past, and the Canadian experience in particular indicates how evaluation can be employed as a guide to efficient resource allocation.

173. The practice of provision of advice and counselling through a system of periodic interviews is well established in a number of countries and seems to have proved its worth, even though we are still awaiting detailed evaluation results. There is scope for emulation of best practice and it is likely, and desirable that such systems will form the basis of policies to assist long-term unemployed people in the next decade. However while such systems should form an important part of any policy package it is necessary that such packages should also contain a range of attractive menu items. There is little point in calling people to interviews unless they can be provided with employment, or some other activity which is likely to increase their attractiveness to potential employers.

174. Important as it is to increase the degree of integration and efficiency of delivery of the public employment services, that alone would not be sufficient to solve the problem of long-term unemployment. It has become clear that long-term unemployed people must not become passive recipients of the services on offer, but must themselves become involved in positive action. The job-finding clubs have been a notable success and are likely to have a continuing role in many countries as are measures to encourage self-employment, co-operative ventures, part-time work and migration.

175. The role of the community at large and employers in particular in assisting long-term unemployed people is becoming increasingly recognised. A number of countries have introduced publicity campaigns aimed at increasing employer awareness of the opportunities on offer, and encouraging them to reconsider their recruitment practices with the objectives of making more jobs

available to long-term unemployed people. This initiative could be usefully emulated elsewhere. Private non-profit making organisations have long featured as suppliers of temporary employment. More recently profit-making concerns have played an increasingly prominent role as suppliers of training and work experience, and employers are taking part in the design and administration of programmes. These can be useful developments if they ensure that the experiences acquired by the participants are tailored to changing employment needs, and we foresee further developments in this direction in the coming decade.

176. There is considerable scope for increasing the employability of long-term unemployed people by providing them with human capital to increase their attractiveness to employers. Such education and training courses have to be carefully tailored to the abilities and requirements of the clients. In some cases short courses aimed at increasing motivation and self-confidence are adequate but often something more substantial is necessary. Frequently courses in literacy and other basic skills are required, but these need to be supplemented by more specific skills training. Skills training needs to be tailored to meet the perceived requirements of the labour market. To this end employers need to be involved in the training process at the planning and at the delivery stages. There is evidence from a number of countries that training which includes on-the-job elements and links to employment is more effective than classroom training alone.

177. Many of the participant countries in the panel seek to encourage recruitment of long-term unemployed people by means of recruitment subsidies paid to employers. Such methods frequently have high deadweight costs, and a significant number of the additional jobs which long-term unemployed people receive are the result of substitution, i.e. are at the expense of other groups of the unemployed or those entering the labour force but nevertheless they do result in the reintegration of significant numbers of long-term unemployed people. The same points can be made concerning subsidies which are paid direct to unemployed people with the aim of increasing the attractiveness of marginal jobs. A number of countries have achieved considerable success with subsidies to encourage self-employment, and although displacement, as well as deadweight would seem to be a difficulty here, this can be regarded as having an additional advantage of promoting an "entrepreneurial environment", although such schemes are only likely to appeal to a minority of long-term unemployed people.

178. One of the most common responses to long-term unemployment over the past recession has been by means of direct job-creation measures. Such measures can be mounted rapidly, easily targeted, add to the social capital stock, and maintain the self-confidence and regular working habits of their participants. On the other hand they can be relatively costly, provide little training and have little effect on post-programme labour market performance. For these reasons a number of panel countries have switched their resources to schemes which have a greater training input and or provide more work experience on employers premises. However, project-based programmes may have a role during temporary cyclical downturns, localised seasonal unemployment and for certain of the least employable subgroups such as older and very long-term unemployed.

179. We have not been able to recommend a package of policy measures which could be applied in all contingencies. That could not be expected, even if techniques of evaluation had developed to the extent that we could be reasonably certain of the long-term impact of measures, for the economic and demographic environment, and administrative structures of the individual countries will dictate different policy combinations. Nevertheless certain strong themes have emerged. First it is clear that regular interviewing and counselling will play a prominent role, providing a foundation on which the structure of programmes is built. Secondly the problem of long-term unemployment cannot be solved by simply imposing a policy from above. It is necessary that the long-term unemployed themselves take positive action to improve their situation, and that employers and the wider community understand the problem and contribute to the solution. Thirdly it is necessary that the packages of policy measures be flexible and capable of responding to the changing environment, a process which will be aided by the understanding of their impact which can be derived from thorough and sophisticated evaluation.

NOTES AND REFERENCES

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2. For a recent discussion of this issue, which stresses the importance of state dependence, see A. Budd, P. Levine and P. Smith, "Unemployment, Vacancies and the Long-term Unemployed", *Economic Journal*, December 1988.
3. For a comparison based on a larger group of OECD countries, see Chapter 7 of *OECD Employment Outlook* (1991).
4. This paragraph of the report has drawn on useful surveys of this topic in "Unemployment Compensation, and Labour Market Transitions: A Critical Review" by A.B. Atkinson and J. Micklewright *Journal of Economic Literature*, forthcoming and "Unemployment compensation and employment in industrialised market economy countries" by Alan Euzeby, *International Social Security Review*, 1988.
5. The articles cited in this paragraph are: "L'Impact de l'indemnisation sur la durée et l'ancienneté au chômage" by J.P. Florens, L.A. Gérard-Varet and P. Werquin, *Economie et Prévision* No. 87 1989-1;

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6. This account of the various benefit systems is based on that provided in Chapter 4 of the September 1988 *OECD Employment Outlook* supplemented by evidence provided by panel members.
7. The Institute for Employment Research at the University of Warwick in the United Kingdom, which produces detailed projections of employment by industry, occupation and region, is a case in point.
8. *Measures to Assist the Long-term Unemployed: Recent Experience in Some OECD Countries*, OECD, Paris, 1988.
9. For evidence on these points from United Kingdom experience, see "Long-term Unemployment and Labour Markets" by Michael White, PSI 1983, and "Employers' Attitudes to the Long-term Unemployed", IMS Manpower Commentary 34, 1987.
10. This methodology is described in "The Evaluation of Employment Measures in the United Kingdom" by Pamela Meadows, presented at the International Conference on Local Employment Policies, Trento 1988, and also in "Methods of Analysis of Public Expenditure Programmes with Employment Objectives", Government Economic Service Working Paper No. 103, by Jon Stern.
11. This view has been argued strongly by Richard G. Nathan in *Evaluating Labour Market and Social Programmes: The State of a Complex Art*, OECD, Paris, 1991.
12. There seems to be some evidence from the United Kingdom that the proportion of induced jobs on subsidy schemes for young workers increases over time.
13. This compares with a budget for the National Employment Service in 1987-1988 of \$263 million.
14. This paragraph draws on "Genèse et évolution des politiques des chômeurs de longue durée en France; De l'indemnisation du chômage à la réinsertion par l'économie" by P. Bouillaguet-Bernard, *Revue de la CNAF Informations Sociales*, 1988.
15. Attempts have been made to tackle all three problems in the context of youth schemes using a large econometric model of the United Kingdom labour market. It might be possible to carry over such a methodology to the study of the LTU.

16. The following paragraphs draw on section E of chapter 1 of the *OECD Employment Outlook* September 1988. This reported a set of labour supply projections to the year 2000 of a number of countries including Austria, Canada, France, Netherlands and the United Kingdom. The projections were based on data supplied by OECD Member countries and modified by the OECD Secretariat.
17. On this see, inter alia, chapter 2, section D of the *OECD Employment Outlook* September 1988. Also evidence from a survey of "Destinations of the Long-term Unemployed as they Flow off the Register", carried out in the United Kingdom at the end of 1986 which showed that 31 per cent were in full-time employment six months after leaving, another 9 per cent were in part-time employment, and 19 per cent on a Government scheme, while 21 per cent had returned to unemployment.
18. See, for instance, Gavyn Davies, "Governments can affect unemployment", Employment Institute, London, 1985 and R. Layard, "How to beat Unemployment", OUP London, 1986. On page 96 Layard states "Unemployment as a whole helps to restrain inflation, but ... research on wage behaviour makes it clear that the long-term unemployed account for little or none of this effect. It is only those who have lost their jobs and are still actively looking for work who exert some pressure to keep wages down. The long-term unemployed have largely given up hope."
19. For instance in the United Kingdom between October 1986 and October 1988 total unemployment fell by just under 50 per cent, while long-term unemployment (12 months or more) fell by nearly 55 per cent. As a consequence the proportion of long-term unemployment in total unemployment fell from 41.4 per cent to 37.5 per cent in those years.

ANNEX I

SUMMARY TABLE OF MANPOWER MEASURES WHICH PROVIDE ASSISTANCE TO THE LONG-TERM UNEMPLOYED

I. SPECIAL PLACEMENT AND COUNSELLING ACTIVITY

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
AUSTRALIA	Newstart Strategy	Provision of intensive interviews with LTU to direct as many as possible to Public Employment Programmes.	LTU between 21 years and 54.	n.a.	n.a.	40 000 interviews each year (20% of target group).		1987
AUSTRIA	Counselling	Continuation of active job search and maintenance of necessary job skills.	All unemployed.	Databank of available jobs and training courses.	Duration of Unemployment.	All unemployed		
CANADA	Outreach	To increase the overall employability and eventual employment of persons having severe difficulty in labour market who are not served adequately by regular placement service.	Disadvantaged; those in remote areas; native people; women; youth.	Use of community associations to help serve target group.	Projects can be renewed indefinitely on basis of 12-month agreements.	811 in 1987/88	Evaluation currently underway.	1972 with significant modification since.
FRANCE	Assessment of the 13th month.	Interviewing people who have been unemployed for at least 13 months to direct as many as possible to employment or employment measures.		Interviews (Individual or collective).	n.a.	669 500 persons invited to attend interview sessions during 1988.		1983

NETHERLANDS	Restart Interviews	Provision of intensive interviews for LTU by the Regional Employment Offices and Social Services.	Persons unemployed for more than three years.	n.a.	n.a.	17 000 interviews in 1988 and 45 000 in 1989.	1988
IRELAND	Job Search	To advise and assist LTUs and others to find employment by assessing their skills, their retraining needs and their potential to take part in employment schemes.		n.a.	n.a.	50 000 target, 1989	1987
PORTUGAL	Vocational Information and Guidance	To encourage a change in attitude by LTU by means of brief (12 to 15 hour) courses led by a careers adviser and an employment expert.				Piloted in 5 Job-Centres. Now going national.	1988
UNITED KINGDOM	Restart Programme	To inform and advise the individual about employment and training opportunities and to reach agreement about a course of action back to work.	Interviews provided at six-month intervals for all unemployed of at least six months.	n.a.	n.a.	1988-1989 estimated out-turn. 2.3 million interviews, 90 000 Restart courses.	1986 (six month Restart) 1988 (rolling Restart).

II. METHODS TO ENCOURAGE SELF-HELP: JOBCLUBS

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
AUSTRALIA	Jobclubs	Provision of structured 3-week assistance in training skills.		n.a.	n.a.			
AUSTRIA	Help-Yourself Groups	Counselling to the following special needs groups: Immigrant workers. Women who want non-traditional employment. Ex-convicts. Recovering alcoholics, drug addicts, etc.	See Programme Objectives.	Government provides financial support for professional staff and meeting room rental at varying rate of 20-100%.	n.a.	41 groups		1984
CANADA	Job-Finding Clubs	(Part of SED under Job Development; now under Job Entry).						
FRANCE	Circles of active employment search (Cercles de recherche active d'emploi)	Learning effective employment search behaviour, and support in approaching employers.	All seeking work.	Groups of 10 to 15 organised by two leaders.	3-6 weeks.	60 experimental circles permitted to organise 8 000 job-seekers in 1989.		1989
NETHERLANDS	Solicitatie Clubs		All seeking work.	Groups of 25 organised by two leaders.	8 weeks (half time).	approx. 30 clubs 1988 approx. 35 clubs 1989 target 56 clubs 1990.		
UNITED KINGDOM	Job-Clubs	To provide coaching and advice on job-seeking and free use of facilities.		n.a.	n.a.	1988-1989 1 000 clubs existed 140 000 unemployed passed through them. 77 000 left for employment.		1984 (pilots) 1985 (national).

III. TRAINING COURSES

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
AUSTRALIA	Jobtrain (Part of Newstart Strategy)	Offers vocational training on short courses.						
	Skillshare (part of Newstart Strategy)	Community-based programme providing structured skills training through local community projects.						
AUSTRIA	Various Training Measures	To provide job training on all levels and where necessary, training in job search and interview skills.	All unemployed.	Training is fully financed by Governments provided by social partners such as labour unions, chambers of commerce, etc. While attending, participants collect training allowances instead of unemploy- ment benefits. Training allowances are slightly higher than the unemploy- ment benefits.	Course duration varies from 4 to 52 weeks.		Study in progress.	
CANADA	Job Development Programme (part of Canadian Jobs Strategy)	Improve Employability and earnings of long- term unemployed.	Unemployed 24 out of 30 weeks.	Wage subsidy and/or training allowance.	Up to 52 weeks.	117 000 in 1987/88.	See Evaluation (Chapter 7 of this document).	1985
	Job Entry	Improve Employability and earnings of labour market entrants and re-entrants.	Youth unemployed 26 out of 52 weeks, and women out of the labour force for 3 years.	Training Allowances.	Up to 52 weeks.	77 000 in 1987/88.	See Chapter 7 of this document	1985

SAR INITIATIVE (also included in Job Development and Job Entry)	To promote self- sufficiency of social assistance recipients and reduce dependence on income support by enhancing employability.	Social assis- tance recipients.	Training and placement in existing programs and special projects.	Varies with individual program; usually maxi- mum 52 weeks.	About 36 000 in 1987/88 in Job Development and Job Entry. Other programs not available.	Evaluation currently underway. Job Development and Job Entry impact positively on employability.	Varied by province from 1985 to present.
FRANCE							
National Employment Fund Courses.	Further training for LTU.	LTU over 25 years and registered unemployed for 12 out of last 15 months.	Paid Vocational Trainee Rate.	450 hours on average includes on-the- job training.	56 900 in 1988.		1983
Modular Courses	Remotivation and re- integration of LTU.	LTU under 25 years and registered unemployed for 12 out of last 15 months.	Paid Vocational Trainee Rate.	450 hours on average includes on-the- job training.	166 600 in 1988.		1985
Alternance Training Courses for Young People	Provision of training for young people aged 16-25.	16-17 year old school-leavers with low level education; 18-25 year-olds looking for their first job, or have no qualifications or are LTU.	Paid Vocational Trainee Rate.	Average 550 hours off-the-job training and 2 months work experience.	98 800 in 1988 (10% in the more intensive courses).		1982
Alternance Reintegration Contract (CRA)	Recruitment of LTU into jobs with training.	Unemployed over 26 years registered 12 months in the last 15 months.	100% exemption from employers' social insurance contributions. + state provision of training for up to 450 hours.	Support for 12 months for indefinite term contracts, other- wise for period of contract.	37 900 in 1988		1987
Alternance Reintegration Courses (SRA)	To assist those whose experience of LTU or whose disabilities lead to their exclusion from the labour market.	Unemployed registered for 2 years or more.	Vocational training trainees receiving lump sum payments F3 915 per month.	5 months on average alternating between training centre and firm.	44 800 in 1988		1987

FRANCE	SMAN (Levelling Courses)	To provide occupational conversion to an ANPE vacancy for unemployed people who have similar qualifications.	Unemployed who have similar qualifications to those stipulated in the vacancy.	Vocational training trainees in receipt of unemployment benefit (Training Placement Allowance). Training can be individual or collective and take place in a centre or in the enterprise.	Average 300 hours of training.	Quota 25% for LTU.	1976
IRELAND	Building on Experience.	To assist older LTU to re-enter the workforce by making the most of their talents and energies.	Older LTU	Previous social welfare entitlement plus travel, accommodation and meal allowances.	six months.		
	Skills Foundation Programme	To provide personal development and skills sampling.	16-17 year-olds with no qualifications; six months after leaving school.	ditto.	six months.		
	Community Training Workshops/ Travellers Workshops	Similar to Skills Foundation Programme but community-based.	15-16 year-olds with no qualifications and some LTU in late teens.	ditto.	six months to one year.		

III. TRAINING COURSES (Continued)

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
NETHERLANDS	Adult Vocational (CV) Training Centres	To provide daytime vocational training for unemployed and those in danger of losing jobs.	Unemployed (90%) and those threatened with unemployment (10%).		4-18 months.	System of 32 centres. Participants: 10 500 in 1985, 19 000 in 1988.	Evaluation shows that cv training shortens war period of unemployment by 25 days in administration and 64 in metal work.	Before the
	Women's Vocational Schools	Organise vocational training for women who have never worked or who wish to re-enter the labour market	Unskilled women over 25 years.		3 days per week for 10 months	1986: 450 1988: 700 1990: 970	90% graduates of which 70% find a job immediately and 10% take further training.	1984
	Training Framework Scheme (KRS)	To assist training of unemployed by providing financial assistance through Employment Service.	Unemployed and those threatened with unemployment.	Unemployed persons can get 100% reimbursement of training costs. Employers receive subsidy of 25% or 50% depending on duration of unemployment.	90% less than 1 year.	1987: 40 000 1988: 59 000 1989: 51 000	Evaluation forthcoming.	1987 (combination of several existing instruments)
	Primary Vocational Adult Training (PBVE)	To provide training for unskilled, ethnic minorities and women who have left working life.	Unskilled.	Combination of existing training "modules" or participation in new ones.	Flexible.	1987: 10 800 1988: 16 500 1989: 19 500	Little effect.	1987 (combination of existing instruments)
	Centres for Vocational Guidance and Training (CBG)	Elementary Education. Working Activities and Vocational Guidance for low-skilled occupations.	Culturally disadvantaged unemployed people.			3 600	40% do not finish training; 30-40% find work; 10-35% go on to other training.	

COUNTRY	PROGRAMME	PROGRAMME OR INITIATIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
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COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
SPAIN	Programme for professional training of the Long-Term Unemployed			Participants receive an allowance equal to 75% of the minimum wage if 25 years or over, plus travel, lodging and maintenance costs.		44 493 aged 25 or over in 1987.	Priority given to those with longest unemployment.	1985
UNITED KINGDOM	Training Schemes for Older Unemployed	Training provided workers aged 45+ with a contract of indefinite length at request of employers.						1983
UNITED KINGDOM	Employment Training (ET)	Intended to address joint problems of long-term unemployment and skill shortages.	Priority groups; i) those aged 18-24 and unemployed 6-12 months. ii) those aged 18-50 and unemployed for 2 years or more.	Trainees receive benefit entitlement +10 per week and travelling expenses.	Average length of stay 6 months.	Provision for 300 000 places a year.	Evaluation results not yet available.	1988

IV. RECRUITMENT SUBSIDIES

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
AUSTRALIA	Jobstart			Wage subsidy	Up to 26 weeks.			
AUSTRIA	Employer Subsidy Programme	To provide employment for a minimum of 12 months.	Long-term unemployed	Government subsidies equal 50% of 6 months wage cost after the LTU has been 12 months unemployed.	12 months.	12 000.		1984
CANADA	Job Development Program	Improve employability and earnings of long-term unemployed.	Unemployed 24 out of 30 weeks.	Wage subsidy or training allowance.	Up to 52 weeks.	117 000 in 1987/88.	See chapter 7.	1985
FRANCE	Activités réduites	To encourage job-seekers to accept part-time work at pay rates less than in their former employ- ment.	Unemployed people in receipt of Solidarity Allowances.	Maintenance of unemployment benefit if the amount earned is less than 47% of the allowance and hours worked less than 78	Limit of 450 450 hours.	Approximately 6% of job-seekers each month.		1987 (Solidarité) 1988 (assurance)

GREECE	Subsidy for recruitment of young people	People under 25 years recruited through OAKED Employment Office.	Subsidy Dr 1 306 1 year maximum. per day.	Priority given to long-term unemployed.
	Subsidy for recruitment of women to secondary sector		Subsidy Dr 1 700 1 year maximum. per day.	
IRELAND	Employment Incentive Scheme	LTU over 25, early school-leavers and handicapped	£60 p.w. for 39 weeks LTU; £45 p.w. others.	1977-88 70000
	Youth Development Job Scheme	Less than 25 years of age and at least 2 years unemployment.	Employers receive Average duration subsidy of 1/3 of 6 months. legal minimum youth wage.	1984 5 000 in 1988; 10 000 in 1989.
NETHERLANDS	Measures to support integration into the labour market (MOA)	Unemployed for 1 year or more.	Employer receives Up to 6 months. a subsidy of Gld.1 000 per month.	1986-1989 6600 per year.
	Law Vermeend-Moor and Scheme for LTU (MLW)	Unemployed 3+ years and aged 21+.	Exemption from employers insurance contributions for 6 months to 4 years and lump sum subsidy.	1906-1990 10 000 per year.
	Kaderregeling Arbeidsinpassing (KIA) (Scheme to promote recruitment of LTU)	Over 2 years unemployed (or over 1 year when ethnic minority, or over 6 months when formerly in Youth Guarantee Scheme.	Two options: a) up to 4 years: a) reduction of tax (actually of social premiums) and training attendance subsidy or b) complete abolition of unemployment premium, and higher subsidy for so-called additional jobs.	1989 (b) 1990 (a) (a) is continuation of older schemes in slightly different way.

IV. RECRUITMENT SUBSIDIES (Continued)

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
SPAIN	Recruitment subsidy for older workers	To encourage recruitment of LTU aged 45+ on indefinite contracts.		Employer receives subsidy of Ptas 400 000 plus 50% reduction of employer's insurance contributions.		10 535 in 1987.		1983
	Recruitment Subsidy for Cooperative Organisations	Encouragement of unemployed under 25 and LTU over 25 years to join cooperatives.		Subsidy of Ptas 500 000 paid to former unemployed person who joins cooper- ative.				
	Recruitment Subsidy for Local Employment	Encourage hiring on the basis of indefinite contracts by undertakings set up under local employment initiatives of the unemployed under 25 or the long-term unemployed aged over 25 and under 45.		Subsidy of Ptas 500 000 for each contract concluded.				1986
	Recruitment subsidy for women	To encourage recruitment of women on the basis of indefinite contracts in sectors where they are under-represented.		Subsidy of Ptas 500 000 provided the contract is of indefinite duration and there is a net increase in jobs.				1986

IV. RECRUITMENT SUBSIDIES (Continued)

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
PORTUGAL	Assistance for indefinite length recruitment	To encourage job creation of indefinite length for young people under 25 years and LTU over 25 years.		Subsidy to firms of up to 12 times minimum wage for each job created.				
UNITED KINGDOM	Jobstart Subsidy	To encourage LTU to accept lower paid jobs.		Allowance of £20 per week to any LTU who takes a job paying less than £90 per week.	6 months.	Approximately 10 000 applicants per year.		1986

V. DIRECT JOB-CREATION

COUNTRY	PROGRAMME TITLE	PROGRAMME OBJECTIVES	TARGET GROUP	METHOD OF SUPPORT	DURATION OF SUPPORT	NUMBERS COVERED	IMPACT ON LONG-TERM UNEMPLOYED	YEAR COMMENCED
AUSTRIA	Action 8000	Provision of temporary jobs.	LTU people (6 months if under 25, otherwise 12 months).	Jobs provided in social services, cultural and environmental sectors expected to bear 1/3 of the cost.	1 year.	13 167 (total 1984 through 1988)		1984
FRANCE	Local Insertion programmes (PII)	Reintegration in agencies, local communities, or public bodies.	Unemployed over 25 and in receipt of Solidarity Allowance, or allowance of end of right.	Payment equal to amount of unemployment benefit and contribution by employing body (F500-750).	6 months at between 80 to 120 hours per month.	17 700 in Sept. 89.		1987
	Local Supplementary Income Support (LCR) (now incorporated into the Minimum Insertion Income RMI)	To provide minimum income in return for part-time work.		Work carried out under individual contracts between département and the State.		12 447 in 1987.		
	Intermediary Association (AI)	To engage unemployed people and hire them out to other bodies to do work not in competition with existing employment.	Hard to place unemployed.	AI are non-profit making organisations and do not have to pay social security contributions to those working less than 200 hours a quarter.		135 150 in September 1989.	46% from LTU.	1987
IRELAND	Social Employment Scheme	To provide part-time work in Community Projects	Mainly LTU over 25.	£65 or £92 per week with adult dependant plus £10 per dependent child.	12 months.	8 500 completed training in 1987.	86% LTU	

NETHERLANDS	Employment Creation Scheme (WVM)	Provide work in sector at national minimum wage.	LTU and young people unemployed for 9 months.	Less than 1 000 per year.
	Youth Guarantee Scheme (JWG)	Tries to guarantee a job in the public sector to those under 21 and unemployed for 6 months.	Under 21 unemployed 6 months or more.	100% wage subsidy in non-profit sector. Minimum 6 months.
	Temporary Provision of Local Employment (Provisional JWG)	As for JWG.		1987: 1 200 1990: 10 000.
	Banenpools	Additional work for those LTU who are considered in Restart interviews to have no other chance to find work.	Almost 100% subsidy partly paid in form of unemployment benefits.	8 000 Municipalities offer young people jobs of up to 19 working hours.
				1987
				1990
				1994
				1985
SPAIN	Community Work Projects	Hiring, on the basis of indefinite contracts, of unemployed persons to carry out works and services of general interest.	Priority given to LTU and those with family responsibilities.	Agreement between INEM and local authorities. INEM provides 100% subsidies in some cases.
				1985
PORTUGAL	Community Work Projects			State and private non-profit institutions provide travel and meal costs. Reimbursed by Institute of Employment and Vocational Training.

ANNEX II

PANEL 10: MEASURES TO ASSIST THE LONG-TERM UNEMPLOYED

MEMBERSHIP LIST

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ANNEX II (continued)

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