



MEETING OF THE NETWORK OF MISEP CORRESPONDENTS

Stockholm, Sweden

**Mitigating the Effects of the Economic Crisis on the Labour
Market**

7th – 8th October 2009

MEETING REPORT



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1 INTRODUCTION

A meeting of the MISEP network took place on 7th and 8th October 2009 in Stockholm, Sweden, focussing on policies aimed at mitigating the effects of the economic crisis on the labour market.

Four key policy approaches were at the heart of the discussion:

- ***Maintaining and creating employment*** primarily through measures aimed at adjusting working hours to safeguard employment through the most difficult economic times (e.g. short-time working¹, temporary unemployment etc.). This also includes initiatives designed to utilise such reductions in productive working time as an opportunity to upgrade skills for the future.
- ***Creating access to employment***, particularly for young people and other groups most affected by the economic downturn. Discussions focussed most intensively on measures designed for young people, either to retain them in education and upgrade their skills until the economic situation improves or to facilitate access to the labour market through apprenticeship or work experience placements.
- ***Improving labour market matching*** to ensure that Public Employment Services are equipped to deal with the increasing demand for their services and enabling them to deal with target groups which may not have otherwise relied on their assistance.
- ***Managing transitions*** through innovative partnerships to facilitate, wherever possible, the direct transition of redundant workers to new employment opportunities and to provide assistance to regions and sectors particularly affected by the crisis.

This report summarises background information and the presentations and discussions at the MISEP meeting under the following headings:

- Key economic and labour market trends, the interaction between economic and employment policy measures and lessons from past recessions;
- Maintaining and creating employment;
- Creating access to employment;
- Improving labour market matching;
- Managing transitions; and
- Conclusions.

Background information prepared for this meeting, copies of overhead slides used by the speakers, and the meeting's programme, can be found on the EEO website (<http://www.eu-employment-observatory.net/>).

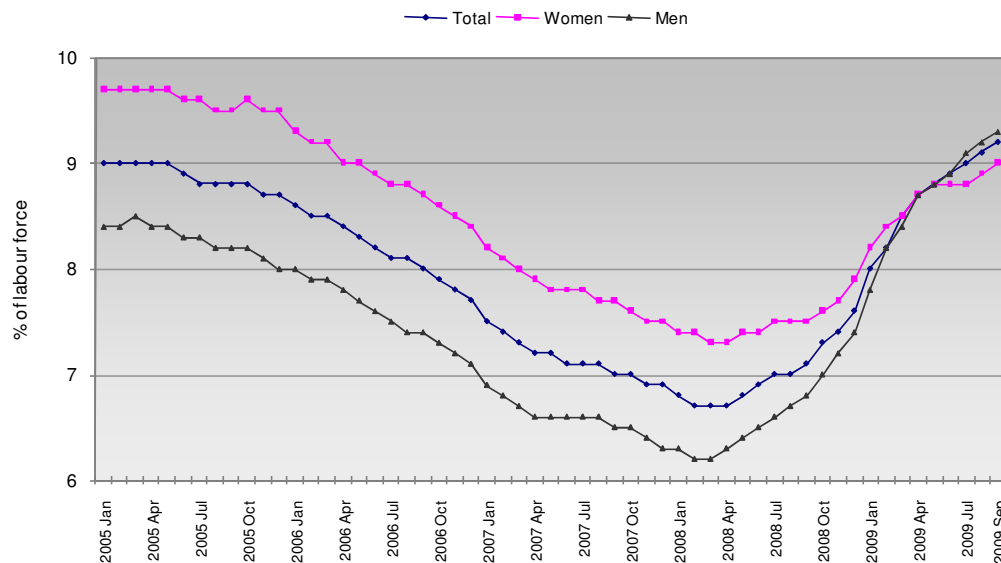
¹ Although there are many different forms of short-time working, this generally implies a reduction of working time, with lost salary (partly) replaced with a form of benefit payment.



2 KEY ECONOMIC AND LABOUR MARKET TRENDS, THE INTERACTION BETWEEN ECONOMIC AND EMPLOYMENT POLICIES AND LESSONS FROM PAST RECESSIONS

Since the autumn of 2008 it is clear that the global financial crisis has turned into a severe economic downturn throughout the EU and although the current economic outlook is showing signs of improvement in many countries, unemployment is continuing to rise, having initially manifested a delayed reaction to worsening economic performance. Data presented by **Egbert Holthuis** (European Commission) showed that over the last year alone, the EU unemployment rate has increased by two percentage points to 9.2% (i.e. by 5 million individuals to 22 million, see Figure 1).

Figure 1: Development of Unemployment Rates in the EU (2003 – 2009)



Source: Eurostat, series on unemployment. Data seasonally adjusted.

European Commission forecasts show that the unemployment rate is likely to increase further to around 10.9% in 2010. While all EU countries have seen an increase in unemployment, the year-on-year rise has been particularly significant in the Baltic States, Spain and Ireland. Among the groups most affected are men, young people and individuals on precarious contracts.

This has to be seen against the background of the EU's underlying problems with the employment intensity of growth which predated the crisis. Both factors mean that the achievement of the Lisbon targets by 2010 is moving further into the distance for the EU as a whole and for many Member States.

In addition, **Tina Weber** (EEO Secretariat) pointed to the fact that even for those in employment, the recession has had an impact, with real average wage increases falling from 3.6% in 2007 to 1.3% in 2008, according to new data published by the European Foundation for the Improvement of Living and Working Conditions (<http://www.eurofound.europa.eu/press/releases/2009/090907.htm>). Several speakers emphasised the importance of the role of the social partners in dealing with the crisis, not



only by exercising wage restraint in collective bargaining, but also by agreeing working time and other measures designed to safeguard employment and co-operating with public authorities and other partners in transition arrangements.

The EU's approach to the crisis has essentially been two-fold:

- The agreement of a €200 billion European Economic Recovery Package aimed at stimulating and supporting investment in certain sectors; maintaining consumer demand and supporting the functioning of the labour market (for example through front-loading and easing access to resources from the European Social Fund). These funds are additional to national stimulus packages agreed in many Member States.
- The identification of key actions to be included in National Reform Programmes to fight unemployment and create new jobs in the EU Employment Summit held in Prague on 7 May 2009.

Alexander Hijzen (OECD) emphasised the importance of both fiscal stimulus packages and automatic stabilisers as part of the overall response to the economic crisis. Their relative importance differs from country to country for a variety of reasons. Amongst others, discretionary measures tend to be particularly important in countries with weak automatic stabilisers suggesting that the two forms of fiscal policy may be substitutes. OECD estimations show that the increase in unemployment would have been significantly greater without the introduction of fiscal stimulus packages and that the impact of automatic stabilisers is likely to have been even larger in the majority of OECD countries. However, in themselves, fiscal stimulus measures are insufficient to deal with rising unemployment and the wider social impact of the crisis. The OECD therefore emphasises the importance of scaling up expenditure on income-support measures and active labour market policies (ALMPs) during times of crisis. While the former tend to adjust automatically, it often proves difficult to quickly scale up PES or training provision to meet rising demand because of existing budgetary cycles and other practical and human resource factors.

Anders Forslund (Institute of Labour Market Policy Evaluations, IFAU), presenting lessons of research findings on the impact of ALMPs during the last severe economic crisis in Sweden in the early 1990s, argued that the impact of AMLP training and retraining programmes was largely limited and rarely increased transition rates into employment. This was partly attributed to the fact that programme participation was a pre-requisite to re-qualifying for benefit receipt, and partly the result of a perceived neglect of job search assistance and incentive measures. According to both the Swedish research and OECD findings, measures placing unemployed individuals into work environments (through subsidy programmes or otherwise) are more effective during times of crisis. However, such measures needed to be properly targeted to avoid crowding out effects. Importantly, the Swedish study also argued that during times of economic crisis and very high unemployment it is more difficult to make well informed decisions on the appropriate content of training. These findings were further debated in a workshop on measures to maintain and create employment (see below).

Dominique Anxo (University of Växjö, SYSDM correspondent Sweden) supported in his presentation the application of a balanced “flexicurity”. This approach to the crisis, combines, on one hand, effective active labour market policy measures with lifelong learning policies designed to enhance employability. It also encompasses tax and social security measures securing incomes in unemployment and inactivity while continuing to stimulate work seeking. The final “pillar” of the flexicurity concept relates to employment



legislation setting minimum standards of protection while enabling and encouraging job creation.

It was noted by a number of participants that many countries (particularly among the EU12) do not have the resources available to institute significant stimulus packages or significantly increase funding for ALMPs. The impact of rising public budget deficits in countries which have been able to take such measures must also be borne in mind.



3 MAINTAINING AND CREATING EMPLOYMENT

As well as stimulus measures designed to support enterprises and customer demand, a number of labour market policy measures are being taken at Member State level to maintain and create employment. Most important among the measures to maintain employment during times of crisis is support for short-time working. Other measures include the reduction of non-wage labour costs for current employees or subsidies for offering new employment opportunities for certain target groups. Discussion at the MISEP meeting largely focussed on short-time work policies.

At least 17 of the 27 Member States now operate schemes allowing for a temporary reduction in working hours supported by public funds. In many countries, access to such schemes pre-dates the current economic crisis and was regularly used in a number of sectors to help deal with short-lived reductions in demand, not only as a result of economic downturn but also due to fluctuations in seasonal demand or weather related work outages.

The application of such schemes has a number of clear advantages:

- They help to retain jobs and secure (at least partial) income, therefore securing consumer demand to support economic recovery;
- Retain know-how for the post-recession period; and
- Provide opportunities for skills upgrading with reduced opportunity cost.

However, short-time work schemes have also had their critics for a number of reasons, depending on the nature of their implementation:

- Relatively short-term provisions for short-time working may be insufficient to cover longer economic downturns and may simply delay rather than prevent unemployment at a relatively high cost (length of availability of short-time working measures varies from 3-24 months);
- Most schemes do not provide for longer-term employment guarantees and therefore job security for employees;
- Not all schemes are combined with training measures, thus failing to capitalise on the reduced opportunity cost for skills upgrading;
- Differing replacement rates mean that on a number of schemes reduced salaries still result in significant economic hardship for the workers affected (replacement rates vary from 50% to 100%);
- There is a potential for market distortions as such subsidy schemes could lead to essentially necessary restructuring being delayed.

Presentations from Germany and Austria underlined that these two, as well as many other countries with short-time working schemes have been able to limit the impact of the crisis on rising unemployment, although the relationship between the existence of such schemes and lower than average unemployment increases is by no means entirely linear. According to **Wolfgang Müller** (Bundesagentur für Arbeit) and **Johanna Poetzsch** (BMAS), at its peak, 1.53 million workers were on short-time work in Germany. At the same time, the year-



on-year increase in employment remained limited to 0.6% between 2008 and 2009. In Austria, the maximum actual participation in short-time work was around 38,000 (August 2009) with the number of planned cases regularly significantly exceeding the number of actual cases. **Claudia Galehr** (AMS) and **Tanja Jandl-Gartner** (BMASK) explained that the precise nature of short-time working compensation is the result of social partner negotiation (on paper only a flat rate benefit at the level of the “fictitious” unemployment benefit plus social insurance contributions is provided for). Strong trade unions usually call for at least 90% of a wage to be maintained, as well as a period of job security following the end of the short-time work measure. As such arrangements prove costly for employers in any cases of short-time work exceeding two days per week, administrative agreements to access such measures remain unfulfilled in many cases. More recently, this is also simply due to improvements in companies’ economic position, negating the need for short-time working.

Although the option of short-time working is open to all sectors, it is currently mainly used in the automotive and metal working sectors. These largely male dominated sectors have been strongly affected by the recession and are often considered to be “psychologically” important for the wider economy (not least due to the impact on supply chains).

Both in Austria and Germany, as well as in many other countries using such schemes, their application has been extended and simplified. In Germany, the period during which short-time work allowances can be received has been extended (first to 18 and then to 24 months) until December 2010. Similarly, the threshold of lost earnings required was lowered from one third to 10% for the same period. In Austria, the maximum application of short-time work on the basis of social partner agreements was first extended from 12 to 18 months and, since 1 July 2009, to 24 months. In both countries, these measures were considered to have been successful and instrumental in limiting the increase in unemployment and shoring up household demand. With economic indicators beginning to improve in both countries, it is therefore hoped that such measures, rather than forestalling future unemployment, have indeed been successful in persevering jobs and avoiding the costly loss of skilled staff for the future upturn. Wolfgang Müller calculated the cost of unemployment to be two thirds higher than the cost of short-time working allowances, thus making such arrangements also financially more beneficial. The question was raised whether such measures are also more cost effective than other ALMPs which could be taken, but this – and the question of whether such measures could serve to delay necessary economic restructuring – could not be discussed in greater detail.

Germany and Austria are also examples of countries which have instituted training measures to accompany short-time working arrangements (at least some of which are part-funded by the ESF). In Germany, a federal programme for the financing of qualification measures supports general training measures (60% of training costs); and specific training measures (25% of training costs) with higher support rates available for SMEs. The precondition is that qualifications thus obtained are provided by certified training institutions or inside the company (but raising the general employability of the employee in the labour market). Qualifications required by law such as first aid and occupational health and safety training are not supported.

In Austria, a training concept has to be agreed by the social partners when filing the application for partial employment benefit. Similarly to Germany, the training provided has to enhance the employability of the worker in the labour market. Employees taking part in training during short-time working receive an additional 15% benefit enhancement and 60% of training costs are covered.

However, in both countries it was found that only very limited use is so far being made of the offer of assistance for training during short-time working. This is generally argued to be



the result of the difficulty in organising sufficient, high quality, suitable courses in time to meet increasing demand. In addition, it is often considered difficult to free up workers to attend training during working hours at a time when staff contingents have been reduced, particularly in the largely shift based sectors most affected by the recession and where the take up of short-time working is high. Another consideration raised was the potential for trade unions to demand higher wages for workers having received additional training, which is difficult to provide during times of economic stringency.

It was strongly argued by many countries making use of short-time working measures that from an economic and labour market perspective, criticisms which argue that such policies may ultimately only delay unemployment are misplaced. Even in this worst case scenario, such measures will have assisted in reducing the length of unemployment. The duration of unemployment has clearly been shown to be a key factor in the ease with which reintegration can be achieved and reducing this was therefore of itself considered to be a core benefit. Similarly, it was questioned whether a viable methodology is indeed available to ensure that short-time work benefits are only offered to companies with long-term economic viability.

Finally, a general lesson related to the lack of availability of clear data on the short and medium term effect of short-time working and associated training measures. Because short-time workers are not registered unemployed with the PES, it is virtually impossible to assess what happens to them following participation in such measures.

4 PROVIDING ACCESS TO EMPLOYMENT

As mentioned above, men, young people (and in particular young men), and individuals on precarious contracts, are among the groups most affected by the recent increase in unemployment. One of the workshops concentrated therefore on specific measures being taken to combat rising youth unemployment. In general, youth unemployment tends to run at an average of twice the rate of overall unemployment among all age groups. This gap has now widened further, with the average EU youth unemployment rate reaching 20% in July 2009 (21% for young men and just over 18% for young women). Traditionally most affected are young people with no or low levels of educational qualifications. However, in many countries there has been, recent months, a significant increase in unemployment among young people with higher educational qualifications who would previously not have struggled to gain a foothold on the labour market.

Two main types of measures have been taken by Member States in an effort to reduce youth unemployment:

- Extending education or providing training programmes to bridge the gap between educational qualifications and skills required in the labour market;
- Apprenticeship programmes, work placement schemes, subsidised employment and support for enterprise creation.

It is clear that as unemployment among the wider cohort of young people increases, those without educational qualifications find it even more difficult to access the labour market. The presentation by **Todor Krastev** (Ministry of Labour and Social Policy, Bulgaria) focussed on measures to reduce early school leaving. Early school leavers often face a series of complex problems relating to their family situation, socio-economic or migration background and other peer group pressures. To help address the attractiveness of the education



system for young people, the Bulgarian Human Resources Development Operational Programme is funding a number of measures including: the introduction of up to date information and communication technologies in education; enhancing educational services for pupils lagging behind and for gifted children; and other specific measures to make school more attractive for young people. These investments are accompanied by other policies to address the economic factors leading to school drop out, including the provision of free transport to school, textbooks and the provision of breakfast in school for all pupils at grades 1-4. In addition, other measures are in place to facilitate integration into the labour market, including skills training and work placements. With regard to the latter, the most important scheme is the Career Start Programme which offers 9 months' work experience in local, regional or national public administration. These schemes have resulted, subsequently, in high placement rates.

There were some similarities between the Bulgarian measures and initiatives taken in Greece. **Ioanna Palla** (Ministry of Labour and Social Security), after outlining the National Action Plan on Employment announced by the government in the first quarter of 2009 as an immediate response to the crisis, presented a broad catalogue of measures being taken to support access to employment for young people. These include the programme "A start, an opportunity", which has been designed for young people (aged 16-25) who complete secondary education or abandon school (after mandatory education) and do not continue in the education system, or were never given a chance to work or participate in some form of training. The program provides young people with three choices: a) to obtain professional experience (providing full wage and social security rights), b) to acquire certified knowledge and skills in informatics; and c) to participate in a counselling program. Other measures include:

- A programme for subsidising new professionals - young scientists;
- A programme for subsidising young self-employed;
- A programme of subsidised employment for young people, facilitating the entrance of young unemployed people into the labour market (it is a programme of 24 months duration, involving private companies with a maximum of 50 employees); and
- Training programs in ICT for unemployed people.

With regard to all general measures targeted at young people the question was raised as to the deadweight effect of such measures because, generally, young people tend to remain on the unemployment registers only for relatively short periods of time. At the same time, the risk of entering into longer term unemployment and its impact on potential future career prospects is significant in this age group. As a result, many of the measures being taken continue to focus on early labour market integration and skills upgrading, particularly for young people with lower educational qualifications and for early school leavers.



5 IMPROVING LABOUR MARKET MATCHING

In all Member States, the PES have undergone a period of reform and modernisation to improve effectiveness and efficiency, largely through the introduction of streamlined and at the same time individualised processes of action planning and follow up of individual job seekers. In addition, many have seen the introduction of modern technologies to support job search, as well as greater partnership working with employers and in some cases private service providers and other public authorities. As demonstrated in the MISEP meeting in Paris, in November 2008, <http://eu-employment-observatory.net/resources/meetings/MISEPFranceMtgRpt-EN.pdf> particularly individualised support and action planning can be demonstrated to have positive effects on placement outcomes. This is to some degree influenced by the client to counsellor ratio which many countries have been striving to reduce over the years. Obviously, as a result of the economic crisis and rising unemployment two things have happened:

- The case load of the PES has increased; and
- PES are having to deal with target groups which had previously rarely required their assistance.

The background information provided by MISEP correspondents show that although many countries have increased investment in the PES, among other things to recruit additional counsellors, this recruitment has by no means been proportionate to the increase in registered unemployed.

Eamonn Davern (Jobcentre Plus) clearly demonstrated that the challenges resulting from the recession are in addition to an ongoing PES and welfare policy reform agenda, which in the UK (and in other countries) aims to assist in the activation of previously inactive client groups (e.g. individuals on incapacity benefit). Such groups require high levels of intervention to be able to re-enter the labour market. Despite these additional challenges, the example from the UK also demonstrates that despite the recession, the labour market remains dynamic (in the UK an inflow of 350,000 individuals to the benefit register is set alongside an outflow of 330,000 individuals each month). While inflows and outflows into the unemployment benefit system are relatively dynamic, a key concern in the UK has been the increase in the number of individuals on incapacity benefit who were in the past largely considered to have exited the labour market indefinitely. PES efforts therefore focus not only on the newly unemployed, sometimes highly skilled target groups, but also on recipients of incapacity benefit who were previously not a key target group for the PES, as they were largely viewed to be outside the labour market.

In order to deal with the challenges of the welfare reform agenda and the pressures arising from the increased workload resulting from the recession, the UK PES has been able to benefit from increased resources. In addition, focus is increasingly being placed on meeting employer demand, linking employment and skills at the local level, facilitating assistance for in-work training, strengthening the Rapid Response Service, extending the individualised approach and enhancing partnerships with public and private providers.

Individualised assistance, close co-operation with employers and the introduction of mobile teams to help with cases of large scale restructuring on the ground have also been among the priorities of the Croatian employment service according to Marina Gašpar-Lukić (Ministry of Economy, Labour and Entrepreneurship).



On the whole, the main lesson to be drawn is that despite increasing pressures from rising unemployment, the general agenda of PES modernisation and the individualisation and streamlining of claimant pathways remains in place. Discussions during the meeting provide some indication that in relation to the success of different types of measures being offered by the PES to help integrate workers into the workplace, subsidised employment is more used and potentially more effective than training measures alone during periods of high unemployment.

6 MANAGING TRANSITIONS

Managing transitions is about early intervention to prevent redundancy or unemployment at the point at which an employer recognises that workforce reductions will become necessary because of an economic downturn or changes in market requirements. At least 11 EU countries operate specific arrangements which facilitate the planning and delivery of such early intervention and transitions management. This is important as there is significant scientific evidence indicating that early activation is the most effective way of preventing the negative human resource effects of long-term unemployment. Whether delivered by public or private providers - or indeed through public/private partnership - such holistic approaches to tackling redundancy situations are currently largely targeted at specific regions already suffering from high levels of unemployment because of an ongoing decline in traditional industries, organisations and/or sectors experiencing significant structural difficulties and threatened with large scale redundancies.

The importance and fruitful nature of partnership working in implementing such arrangements was clearly demonstrated by the Volvo case presented jointly by **Lisbeth Baeckelie** (Volvo Car Corporation), **Mikael Saellstroem** (If Metall Union), **Claes-Goeran Ivarsson** (Trygghetsrådet Västra Sverige/transfer agency), **Per Olsson** and **Eva Wettermark** (Arbetsförmedlingen Goeteborg/PES). In 2008/2009, Volvo experienced a dramatic decline in the demand for its passenger vehicles and was as a result forced to reduce its workforce. The situation was exacerbated by the fact that the entire region around Gothenburg is very dependent on the automotive sector and redundancies at Volvo not only had a significant knock on effect on suppliers locally and beyond, but also on an already depressed local economy. Furthermore, redundancies were affecting a workforce which was previously considered secure, with employment at the company often considered as being “for life”. In total, over 2,500 workers were affected by redundancies at Volvo. In addition, it was estimated that for each job lost at Volvo, an additional two to three jobs were lost among the supply chain.

According to Swedish legislation, the PES must be notified six months in advance in cases of more than 500 redundancies, thus allowing them to plan for necessary interventions and to provide early advice. In addition, in Sweden, since the mid-1970s, so called Job Security Councils have been established by the social partners on a bipartite basis to support employees and companies affected by restructuring. Based on collective agreements, they were originally created to supplement various educational and retraining schemes organised and financed by the Public Employment Service (PES) to assist unemployed people to find new jobs but now largely co-operate with the PES as part of a wider partnership approach. At Volvo for example, joint meetings were held with the PES, TRR (*Trygghetsrådet*), and affected workers, to inform them of the type of assistance they could obtain from the different partners. Job Security Councils can help redundant employees to find new careers by offering career adjustment support (e.g. training, career counselling, etc.) and additional financial support complementing unemployment benefit payments. There are fourteen different Job Security Councils in Sweden covering around two million



employees. The largest is *Trygghetsrådet* (TRR), which was the first Council of its kind in the country. Today, TRR covers 32,000 companies with 700,000 employees. TRR is financed through an annual member company contribution amounting to 0.3% of a company's payroll for employees covered by the agreement and thus works not unlike an insurance scheme. While the Swedish PES offers participation in the ALMP intervention, called Job and Development programme, when the period of unemployment insurance has ended (after 300 days of benefit), direct TRR intervention can begin prior to redundancies being made, ensuring a complementary use of funds (funds between the organisations cannot be transferred and one of the criticisms made of the existing system was that funds for PES activities in such cases must be made available earlier). Nonetheless, all partners, also including local authorities, the company and the trade union can begin to work together early to plan interventions. TRR provided training to managers and trade unions, as well as training and outplacement opportunities to affected employees. Evidence shows that 90% of beneficiaries of TRR services find employment within 6-8 months. One advantage of the Job Security Council Approach is that because TRR and the other Councils work with many different employers, experiences can be shared and best practices capitalised upon.

Another important feature of the Swedish system is the generally strict application of the "last in, first out" rule, by law. In the case of Volvo, in order to build and ensure a viable and future oriented organisation, a large scale skills mapping exercise was carried out seeking to match skills required in future with the skills of the existing workforce to ensure redundancies would not leave the company with future knowledge deficits. As a result of this mapping exercise and in agreement with the unions, 350 exemptions to the "last in, first out" rule were negotiated and agreed.

In addition to the activities by TRR, the PES organised events for potential employers, which were initially keen to recruit redundant Volvo staff, but as the economic crisis spread, interest among potential employers also declined. To date, over half of those who accessed PES services have found new employment, around 400 are taking part in training or retraining measures and around 780 remain unemployed.

Similar transition measures exist in the case of significant redundancies in Belgium. According to **Tom Bevers** (FPS Employment, Labour and Social Dialogue), the so-called "Employment Cells" were originally created to help to prevent employers from using early retirement measures as the main strategy to carry out workforce restructuring. In 2006, a system was introduced whereby in the case of collective dismissals (more than 10% of workers) no early retirement measures were allowed to be implemented before the age of 58 unless an Employment Cell is created (for six months). The objective of the Cell is to guide, train and find new jobs for redundant workers, including through the use of outplacements. All workers over the age of 45 were required to take part in these measures, for other workers participation was voluntary.

The Cell is created by the employer who has to submit a plan to the regional and federal minister. It is effectively run by the PES, but working in partnership with the employer, trade union and relevant training providers. As a result of the crisis, since 2009, Employment Cells have been created in the case of all collective dismissals, even where no early retirement schemes are planned and all redundant workers have to participate in the measures of the Cell. The Cells have proved rather successful with an outflow rate to employment of around 60%. However, some criticisms have also been levied against them, with some arguing that actual outcomes are difficult to estimate and that in general they might simply act as a "waiting room" for early retirement. It has also been argued that the requirement to establish cells might encourage employers to avoid announcing collective dismissals and instead making workers redundant one by one. However, on the whole, the arrangements are considered beneficial because of their forward looking and partnership



approach and the active support provided to redundant workers. In addition, this approach provides workers with a guarantee of an ongoing wage while going through the measures provided by the Cell.

In France, assistance with transitions is to some degree more individualised, but also more wide-ranging. Businesses with more than 1000 employees are obliged to offer “retraining leave” for each employee they are considering to make redundant for economic reasons. These measures are funded by the employer and last between 4-9 months. Companies with less than 1000 employees considering lay offs must offer employees concerned an individual retraining agreement for a maximum of 12 months. Employees are not obliged to accept these agreements, but if they do not, their contract is terminated and they instead receive the support of the PES. In addition, a new measure – the professional transition contracts – are currently being trialled at 25 sites (to be expanded to 40). The trial sites are in areas particularly affected by the crisis. Beneficiaries conclude a 12-month agreement and are assisted by a partnership of the PES, social partners and training providers. Beneficiaries receive a payment of 80% of their wage and obtain customised assistance to assess their skills and skill requirements to fit into new employment matched with the needs of the local labour market. As well as counselling, the support received includes training and work placement to obtain the necessary professional experience. Of the 14,000 beneficiaries to date, 45% change occupation entirely, while 25% change their activity within the same sector.

The debate on transition measures largely focussed on the respective roles of the PES and the transition agencies which often rely on alternative sources of funding. Similarly, although such approaches were generally perceived to be helpful and innovative, some concerns were raised over the deadweight effect of very early intervention. The importance of targeted approaches and needs assessment for each worker benefiting from early intervention was therefore highlighted.

7 CONCLUSIONS

Over the last 18 months, many EU countries have been experiencing the deepest recession since the 1930s. With the financial crisis in the context of a highly globalised economy, its causation was very different from the recessions of the past. The question will inevitably be asked whether in the context of the common goals and guidelines set down in the European economic and employment strategy in particular, EU countries are now better equipped not only to deal with the consequences of the crisis, but also to act to prevent similar circumstances from arising in the future.

With the European Recovery Packages and the ten guidelines for action to combat unemployment agreed in Prague, the EU clearly made efforts to create a common “stimulus” to bring about an early exit from the crisis. The MISEP meeting demonstrated that as well as fiscal stimulus packages, Member States have taken a variety of actions relating to the priority areas to help maintain and create employment, facilitate transitions and to improve labour market matching.

Estimates presented by the OECD indicate that the EU labour market would have been a worse position had it not been for the introduction of discretionary investment measures, although it was argued at the same time that automatic stabilisers were on the whole more effective in shoring up consumer demand and that indeed both measures combined are insufficient to prevent significant increases in unemployment. The important role played by ALMPs was clearly underlined. Interesting in the regard was the question of what, if



anything, might be learned from the lessons of past recessions and the types of measures which have proved their worth in similar situations of rises in unemployment. The lessons from the Swedish context during the last recession were that training measures outside the workplace environment on the whole prove less effective, partly because it becomes more difficult to know what to train for, but also because it appears that such measures are often entered into as a requirement to renew benefit entitlements. Job subsidies and measures ensuring employment closest to a direct experience of the work environment were considered to be more effective in this context.

In many ways, this is a message also echoed in Member State policies adopted to tackle the crisis. The majority of countries have indeed sought to emphasise policies to ensure the retention of existing employment through short-time work measures, or the rapid transition to new employment through conversion or outplacement activities. Efforts to use the opportunity of the downturn to combine reduced hours with training measures have so far proven to be difficult to implement because of delays in the ability to establish appropriate provision, but also because it is often hard to co-ordinate such training in practice and decide on its relevant content. Efforts were encouraged to overcome such practical barriers to providing relevant training, to ensure that workers can be better prepared and more adaptable to the requirements of more flexible labour markets.

Short-time working measures were on the whole considered to have been very effective (and cost efficient) to help retain employment and knowledge. At the same time it is clear that such policies can only be ultimately successful if the positive signs in the economy translate into sustainable growth in the future, although the effect of delaying unemployment could be considered to be a benefit in and of itself.

The benefits of partnership working in managing rapid transitions were clearly demonstrated not only by the Volvo case but also the experiences of different Member States operating such arrangements. However, it was also clear that the precise nature of the financing and institutional working of such transition partnerships were very different from country to country and it was therefore the general lessons, rather than the institutional arrangements, which were more easily transferable. The lessons relate to the importance of early re-integration of redundant workers in order to prevent the negative impacts of long-term unemployment. The targeting of measures to avoid deadweight effects was also highlighted.

Clearly, even in times of crisis general matching and ALMP continue to operate and, in many countries, significant investments have been made to ensure that – in addition to the general modernisation efforts – the PES are better equipped to deal with rising demand for their services. In the face of rising youth unemployment, many Member States have focused their policy efforts on measures to integrate young people into the labour market. Here, a similar conclusion was drawn in the sense that targeting remains important to avoid using scarce resources to integrate individuals who would not remain long, in any case, on the unemployment register.

Finally, it was emphasised by a number of participants, particularly from the new Member States, that it must be borne in mind that not all countries have the financial resources to enact significant stimulus measures or to increase their budgets for ALMPs and therefore have much greater difficulties in stemming the rising tide of unemployment.

Although economic predictions are beginning to improve, labour market forecasts show that unemployment is likely to continue to rise until the middle of 2010, which makes it even more important to continue the exchange of information on effective measures to deal with the crisis.