



EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities DG
Employment, Lisbon Strategy, International Affairs

THE EMPLOYMENT COMMITTEE

Joint EMCO-COM Paper

The choice of effective employment policies to mitigate a jobless recovery in times of fiscal austerity

1. INTRODUCTION

Member States have been affected in quite different ways by the economic and financial crisis. However, as a continuation to pre-crisis institutional reforms to improve labour market resilience, they have designed and implemented an unprecedented package of crisis and recovery measures, which overall have significantly helped offset the labour market and social impact of the crisis.

For a year now, the EPSCO Council and the European Commission have been jointly monitoring and assessing the labour market and social policy measures undertaken in the context of the European Economic Recovery Plan.¹ This paper takes this collaborative effort forward, by providing a critical assessment of key crisis measures in the employment area (active policies, short time working and unemployment assistance); it addresses the future of these measures in the context of the real risk of a jobless recovery and of fiscal austerity measures.

In the framework of the Europe 2020 strategy, the Commission launched on 15th September 2010 the "Youth on the Move" Flagship initiative. It is worth noting that the national and EU employment measures for young people outlined in the initiative are in line with a number of policies and actions outlined in this paper, such as youth-targeted support to job search assistance and training activities.

The Commission is preparing, in cooperation with the SPC, a Report on the social impact of the crisis for the December EPSCO meeting.

2. THE CRISIS AND EU LABOUR MARKETS: STATE OF PLAY

The crisis has had a deep impact on large segments of the labour market...

Although the overall impact of the crisis has been relatively well contained², the crisis has had severe effects on specific groups, particularly youth, workers on temporary contracts and immigrants. The relative situation of young people (up to 25 years) has deteriorated considerably during the crisis: their unemployment rate has risen sharply (by more than 5 pps) from just below 15% in spring 2008 to over 20%, while the rate for adults (25-74 years) went up by just around 2.5 pps from its low of 5.6% to just above 8%. The situation of people in temporary employment has in particular worsened substantially during the recession; the number of employees in temporary work decreased by 7.5%

¹ Ref: Papers for the November 2009 and June 2010 EPSCO Councils

² E.g. since the start of the crisis in 2008, the unemployment rate rose by ca 5 pps in the USA and slightly less than 3 pps in the EU

year-on-year at the height of the recession i.e. almost four times the peak decline in permanent employment. Similarly, the unemployment rate of third country nationals increased since early 2008 by around 6 pps to around 20%, compared to around 2.5 pps increase for nationals. The crisis has deeply affected, at least initially, some male-dominated sectors like construction, as a result of which men account for almost two-thirds of the increase in unemployment since Spring 2008; women, however, account for almost half of the overall rise in unemployment since July 2009³ and as a result the respective unemployment rates are again equal. (fig. 1 and 2 in annex).

...and employment policies must face the challenge of a recovery with continuing high unemployment...

The latest data suggest that the labour market in the EU is now stabilising after several months of only relatively moderate deterioration, and even improving in several Member States. However, the recovery in EU GDP is expected not to be vigorous enough to trigger immediate net EU employment creation, and the unemployment rate may remain close to or above 10% in the EU and euro area until well into 2011.⁴

Even if inflows into unemployment have largely stabilised, the number of people getting another job is barely accelerating, and the average duration of unemployment spells is rising in most countries. This is consistent with the experience from past recessions that it may take several years to reverse a growing trend in long term unemployment (which currently already stands at 3.5%). If this situation persists, it will weigh further on potential growth and may threaten European social models, which are already strained by ageing populations. Under such conditions, the main challenge for employment policies is to prevent unemployment from becoming structural and to seek a maximum effect in terms of net job creation. However, faced with budget constraints, Member States have come under pressure to choose the most effective mix of supply side policies (job search assistance, personalised training) and demand side policies (short time working, employment subsidies).

...in an exceptionally difficult budgetary context...

Over the period 2008-2010, EU governments increased their expenditure on labour market interventions and household income support by the equivalent of 0.7 % of annual GDP on account of extraordinary crisis measures, on top of the increased expenditure on already existing automatic stabilisers (e.g. unemployment benefits). However, the fragile economic recovery, coupled with a looming sovereign debt crisis, has markedly deteriorated public finances⁵ and forced most EU governments towards budgetary consolidation.

A number of trends can be identified in the consolidation plans announced in the second quarter of this year (see Annex); public sector employment is being frozen or reduced as are public sector pay levels; some Member States announced wider or 'across the board' spending reductions, influencing a variety of areas as broad as public health, education and defence, which will indirectly affect private sector employment via lower procurement levels. Furthermore, some Member States are envisaging reductions or adjustments in spending on labour market support (e.g. generosity and durations of unemployment benefits, labour market programmes) or income support (e.g. family allowances, pension entitlements). Cuts in the latter may particularly affect women, who already face larger at-risk-of-poverty rates during their lifecycle.

³ July Monthly Labour Market Monitor:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=850&furtherNews=yes>

⁴ http://ec.europa.eu/economy_finance/publications/european_economy/2010/pdf/ee-2010-2_en.pdf (Spring Forecast 2010-2011)

⁵ While in 2007, general government deficits corresponded to less than 1% of GDP in the EU27, in 2010 they are forecast to reach over 7%, before beginning to decline in 2011. Debt to GDP ratios have also strongly increased from 59% of GDP in 2007 to close to 80% at the end of 2010.

Although the new budgetary context calls for a critical review of the cost-effectiveness of typical labour market interventions, it is clear that the capacity of labour market institutions to deal with a critical employment situation should be preserved, by choosing the most effective PES structures and employment-enhancing measures.

...with situations between countries diverging significantly.

The situations in Member States differ however considerably. In countries which expect significant flows into unemployment to continue in 2010/2011, prolonging crisis measures aimed at saving jobs and preventing loss of income is the best option, whereas incentives to hire may remain unsuccessful as long as business confidence is lacking. Conversely, in Member States where the recovery gets going, the crisis measures should be dropped and a return made to regular supply-side interventions, complemented with public support for job creation if needed.

In all cases, there is a key role for Public Employment Services (PES), to efficiently stimulate job matching during the recovery on the one hand, and on the other hand cater both for those cohorts that have been out of the market the longest whilst also keeping the newly unemployed as close as possible to the labour market. This new reality together with the limitations in public expenditure will require that PES review their working methods, and strive for ever closer partnership-based approaches between all public and private employment service providers.

Looking forward, while still fragile, GDP at EU level is recovering at a faster pace than previously envisaged. For 2010 as a whole, EU GDP growth is now forecast at 1.8 %, a sizeable upward revision compared to 1.0 % growth foreseen in spring.⁶ Bear in mind however, this aggregate picture masks uneven developments across Member States, confirming the Commission's expectation of a multi-speed recovery within the EU.

3. IMPACT AND EFFECTIVENESS OF POLICY MEASURES

The paper jointly prepared by the Commission and the Employment Committee for the June 2010 EPSCO Council reviewed labour market stimulus measures implemented in the EU, including their targeting. This paper provides further evidence on the effectiveness of the three main categories of measures taken: short-time work arrangements, active labour market policies (including job search assistance, employment subsidies, and training), and income support for job losers.

It is important to note that in-depth, up-to-date, assessments of the effectiveness of crisis measures in their present form are rare. In what follows, one finds a reasoned judgment on the effectiveness of measures in the present crisis context, mostly based on a cross-reading of evaluations of similar measures implemented in the past and on apparent successful practices.

Short-time work arrangements (STWA) must be cost-efficient

During the present crisis, the fall in economic activity has been absorbed to a large extent by the reduction of working hours. Many companies have limited their layoffs to temporary workers and preferred to keep their experienced workers on the payroll, either by cutting overtime and promoting individual working time reduction (partly explaining the rise in part time work) or above all by using government sponsored short time working schemes. During 2009, the share of employees covered by STWA reached up to 3% in DE and 5% in BE, before declining during 2010 (Fig. 3).

It is estimated that on average the fall in employment growth over the 2008-2009 recession has been counterbalanced by 0.7 percentage points (on an annual basis) in the Member States that have

⁶ See September 2010 Commission interim forecast:
http://ec.europa.eu/economy_finance/articles/eu_economic_situation/2010-09-13-interim_forecast_en.htm

implemented STWA⁷. Comparatively, government sponsored support for STWA represented no more than 0.02 % of annual EU27 GDP in 2009. Although there is wide variation between Member States in the intensity of public funding of STWA, there is no direct relationship between the number of jobs saved and the amount of public funding, since other institutional variables are at play (e.g. opportunity costs due to employment protection legislation – EPL – and the individual situation of beneficiary companies).

A common conclusion from the limited research available on STWA⁸ is that it increases the firms' internal flexibility, and is especially attractive when EPL is tight and firing costs high. Since the 2009 Jobs Summit and the "Shared Commitment for Employment" communication, the prevailing view is that these arrangements also avoid the loss of firm-specific human capital and re-hiring costs, and serve to enhance workers' employability.

Although spending on these programmes is thought to be sensitive to deadweight losses (e.g. workers in such schemes would have been kept even without them), the rapid decline (by nearly half since the beginning of 2010) points towards a cost-effective management of STWA in most Member States. This was achieved by limiting the duration or eligibility conditions for companies and workers in such a way as to limit access or to trigger timely withdrawal. The income loss of workers in STWA may have further prevented abuse of the system.

However, behind the apparent success of STWA (see key facts in Annex), a number of qualifications have to be made:

- The downside to the recourse to STWA is the implicit labour hoarding and an apparent decline in the productivity per worker (see Fig. 4). Previous downturns, in which labour hoarding occurred, tended to be followed by periods of jobless growth, as the increased production was met by a recovery in productivity and working time, rather than by additional jobs. It must be said, however, that labour hoarding seems not to have distorted the wage-productivity balance. The crisis response was accompanied in many cases by wage freezes, but only exceptionally by wage cuts. Labour costs increased until early 2009, partly as a result of wage increases negotiated before the recession. However, labour cost was again under control in the Euro area by the beginning of 2010 as a result of wage moderation and a reversal of the trend in hours worked per employee.⁹ More work will be done on labour cost and wages developments in the next months.
- STWA have only been accompanied by training to a very limited extent. Even in Member States where training received additional incentives, a modest fraction of the potential beneficiaries has taken up the offer of training (e.g. less than 10% in DE, BE and FI, but up to 25% in AT).
- Even under strict eligibility conditions (such as the condition in the NL and SI that no firing is allowed during or directly after participation), it is impossible to ascertain whether the employment initially saved by STWA will be sustainable after the crisis, or whether companies will be forced to adapt to new structural conditions and ultimately shed jobs (considering that industrial production in the EU is still 10% under its peak of early 2008). In this respect, experience rating, with companies using STWA paying higher social security contributions after the crisis is over, may well increase their economic efficiency.¹⁰

⁷ See 'Short Time Working Arrangements as Response to Cyclical Fluctuations', joint paper by DG EMPL and DG ECFIN <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=843&furtherNews=yes>

⁸ See upcoming Employment in Europe 2010 report

⁹ The ECB (Monthly Bulletin July 2010) reports an enquiry of the "Eurosystem/ESCB Wage Dynamics Network", which revealed that, by the summer of 2009, 37% of firms surveyed had frozen, whereas only 2% had cut wages

¹⁰ K. Burdett and R. Wright "Unemployment Insurance and Short-Time Compensation: The Effects on Layoffs, Hours per Worker, and Wages", *Journal of Political Economy*, 1989, vol. 97, no. 6

- STWA have been ineffective in protecting temporary workers from the impact of the crisis, since the latter have been massively dismissed and only a few MS (like FR, BE, DE) have opened their STWA regimes to such workers.

Active Labour Market Policies work better when well targeted

The public interventions known as Active Labour Market Policies (ALMPs) are usually broken down into job search assistance, training, and subsidies for employment, either in the private, the public sector or in self employment.¹¹ They reflect a strong emphasis on activation (transition to work) rather than (passive) income support, and are often targeted at particular sub-groups in the labour market, such as the unemployed, the young and the inactive. Short time working is considered apart from ALMP, because it benefits people in employment and takes the form of income support, whereas income support for job seekers (see next section) is seen as passive support. The paper presented to the June EPSCO Council showed that Member States had stepped up their interventions in all these policy areas. A non exhaustive overview of typical crisis measures can be found in Annex.

Lessons from the past suggest that the mix and design of ALMP have to be shaped in accordance with the national situation (composition of the target groups and labour market institutions such as benefit regimes), as well as with the cyclical situation. Key considerations for policy in the current context include the following:

- job search assistance has been shown to be the most cost-effective short-term measure¹², compared to other measures. A well-balanced design of basic services such as personalised job search assistance and counselling, based on mutual obligations of beneficiaries and service providers, enhances long term career opportunities. Even in a depressed labour market with a minimum turnover of vacancies, such services can help the unemployed to remain actively searching for work, curbing the rise in long term unemployment and avoiding exits into inactivity.
- Well targeted training and work-experience programmes have a high degree of cost-effectiveness, and a high potential to be beneficial to participants in the long run. Account needs to be taken of exactly where new opportunities will arise (e.g. green jobs, health and social care), as opposed to sectors which risk to have been permanently reduced by the crisis (construction, car manufacturing), or providing training for the sake of training with no clear link to market needs. Moreover, in times of economic crisis, the opportunity cost of investing in training is lower, because people are more readily available than in normal times, although the difficulties in expanding on short notice the training offer and teaching staff should not be overlooked¹³
- hiring subsidies have a direct return in terms of job creation, although with varying effectiveness over the business cycle and with a risk of substitution of non-subsidised individuals. Moreover, if granted without restriction, they have largely the same effect as general reductions in labour cost, and may carry a risk of deadweight¹⁴. Therefore such subsidies will be excessively burdensome for public finances in a downturn, unless they are targeted at specific groups like young people¹⁵, long term unemployed, low skilled, older workers, temporary workers and migrants.

¹¹ See Employment in Europe 2006, chapter 3 on "effective ALMP" reviewing systematic lessons from close to 200 programme evaluations that have been conducted on ALMPs in Europe.

¹² In the first year after programme completion.

¹³ Evidenced by the PES Working Group on New Skills for New Jobs).

¹⁴ Deadweight losses refer to jobs that would have survived the downturn even without any public subsidy.

¹⁵ Model based simulations suggest that the employment creation effects of hiring or in-work subsidies tend to be higher if targeted at youth, in view of their comparatively lower labour cost. (see forthcoming Employment in Europe 2010 report).

- Work experience in the public sector is generally not found to be cost-effective, but can nonetheless provide a crucial first transition into employment for youth - this being the hardest step in accessing the labour market – or to keep the unemployed in touch with the labour market. The public costs and benefits should be considered on a case by case basis (public administration vs. local work for social purposes).
- Support for self-employment shows mixed evaluation results. However, if properly accompanied with business training and if well monitored, such measures can be cost-effective and even have a "double dividend" to the extent that successful self-employed may later on create jobs themselves. In a strong labour market, self employment may attract fewer people, but in a jobless recovery with insufficient hiring by established firms, aid for self employment may be seen as a useful active measure.

Increased income support for the unemployed has improved the social safety net

The recent recession highlighted the importance of the income stabilisation role played by the unemployment benefit systems as well as other types of benefits such as last resort schemes¹⁶. In most EU Member States, expenditure on unemployment benefits has increased either because of rising unemployment or because of the extension of benefits schemes. The latter can be achieved in four ways: firstly, by raising benefit levels; secondly, by increasing their duration; thirdly, by extending their coverage to previously unprotected categories, such as temporary and part-time workers and the self-employed; or fourthly, by relaxing eligibility requirements in terms of individual employment and contributions' histories. Policy measures that extended the safety net in order to deal with a rapidly rising number of job-seekers (and, at a later stage, longer unemployment spells) provided a much needed income relief during an exceptional crisis (see Annex for some country examples).

Two types of considerations should be made on the cost-effectiveness of unemployment benefits:

- Increased benefits should not constitute disincentives for job search and re-employment. However, there is a vast (if not unanimous) amount of analysis¹⁷ showing that negative efficiency effects of unemployment benefits can be minimised via proper design and management of such systems including decreasing generosity over the unemployment spells, finite benefit duration and combination of benefit receipt with job search requirements, sanctions and individual counselling by PES.
- Moreover, unemployment benefit systems can be adapted over the business cycle in order to enhance its income stabilisation properties without necessarily raising spending (over the cycle) or structural unemployment. In downturns, unemployment benefits can be extended, while in upturns they can be scaled down, reflecting cyclical changes in the trade-off between insurance needs and job search disincentives. The negative effects of higher unemployment benefits, extended duration and lower conditionality tend to increase in good times when the ratio of job vacancies to unemployed rises and low job search intensity lowers job finding and employment creation, while the income smoothing needs tend to be counter-cyclical as many unemployed become liquidity constrained.

4. CHOOSING THE RIGHT EMPLOYMENT MEASURES

The magnitude of the challenges facing the EU, heightened by the effects of the recession, should not be underestimated and structural reforms should be pursued. The risk of a jobless recovery is real. The need for cost effective measures to mitigate it is vital especially in times of fiscal austerity. Mutual

¹⁶ An analysis of the role of other benefit schemes will be provided in the SPC report before the December EPSCO Council referred to in the introduction.

¹⁷ Joint DGs EMPL/ECFIN paper on unemployment benefits (forthcoming).

Learning can help identify which measures are cost effective. Three types of measures flowing from the above policy review should be considered by Member States, taking into account their specific employment and budgetary circumstances and the support of EU policy and financial instruments:

1. **Gradual phasing-out of STWA:** this will be necessary as the recovery gains momentum; however, too early a withdrawal may undermine confidence among workers and thus depress aggregate demand with consequent knock-on effects on companies. The risks of labour market inefficiency posed by STWA and thus unnecessary public expenditure can be countered by (i) keeping the eligibility period within reasonable limits; (ii) targeting on companies with strong business fundamentals, i.e. businesses that show clear evidence of having been hit by a temporary demand shock; (iii) using experienced rating so benefiting companies pay higher social security contributions after the crisis and (iv), giving employees more opportunities to participate in training programmes, although this last feature can be costly to public budgets and could be enhanced through sectoral funds as fiscal tightening increases. At the same time, other mechanisms that allow firms, in cooperation with unions/workers, to adjust working hours e.g. via flexitime, working hour averaging etc. should also be encouraged.
2. **Better targeting of employment subsidies.** "Across the board" labour cost reductions are fiscally expensive and bear higher risks of deadweight cost than targeted employment subsidies, which can be made conditional upon net job creation. The latter are more cost effective and should be targeted at hard-to-employ specific groups (e.g. long term unemployed, youth). In addition, targeted subsidies can reach those that are least likely to have benefited from short term work and other crisis measures, e.g. temporary and low wage workers (a subsidy offers a greater incentive to work when wages are low¹⁸). Furthermore, in the absence of a job-rich recovery due to limited new job openings in the private sector, business start-up programmes favouring self-employment can provide a useful alternative.
3. **Adapting unemployment benefits, with the right balance between income support and job search obligations.** The crisis has been an opportunity for many Member States to improve their social safety net and to reduce labour market segmentation. This should not be temporary but permanent. But to avoid additional labour market imperfections, benefit systems should be adapted as growth returns by bringing the duration of unemployment benefits back to their pre-crisis level. While benefits should provide adequate income support for job seekers to have a decent living standard and be able to maintain and enhance their employability, they should not constitute a disincentive for job search and re-employment. The synergies between the PES and benefit systems should be reviewed, and strengthened where necessary, to keep job search incentives strong and to facilitate the transition of job seekers into areas of growing activities. Furthermore, a balance between passive benefit management schemes and active labour market policy solutions should be sought. It will be crucial to reinforce and prioritise PES-led job search incentives and promote a culture of rights and responsibilities among jobseekers with the aim of enabling speedy transitions into emerging growth sectors. Greater emphasis on responsibilities of job seekers will be very much determined by the quality of programmes and services offered by the PES. Adjustments to the levels, duration and conditionality of social security benefits should also be paired with active inclusion strategies in order to reach those furthest away from the labour market.

¹⁸ Further analysis of the latest data will be provided in the forthcoming Employment in Europe 2010

Figures

Figure 1. Employment growth per contract type versus GDP growth for the EU

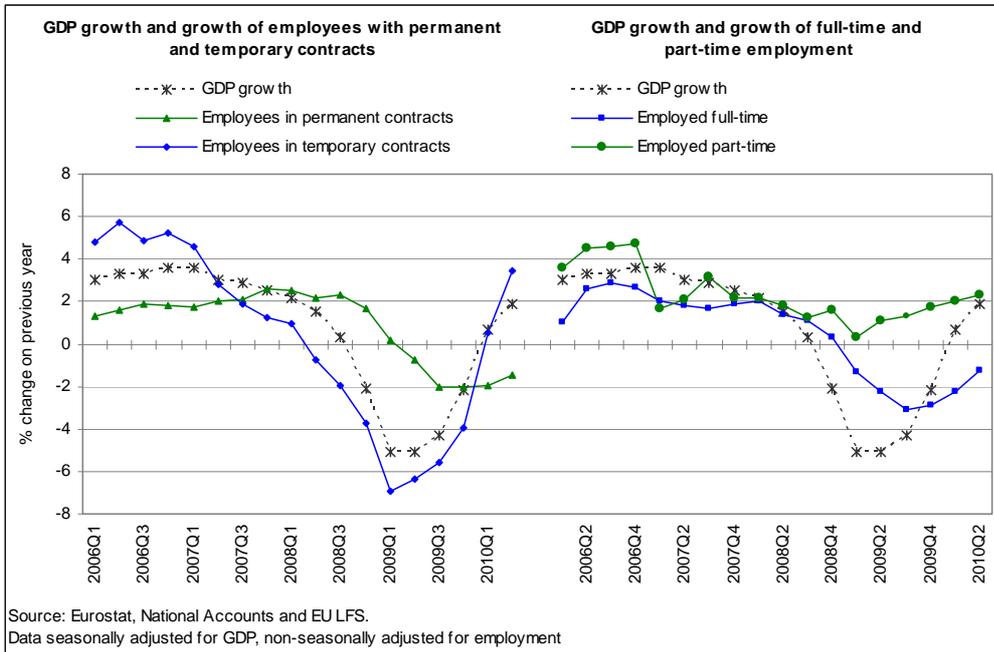


Figure 2a. Unemployment rates in the EU by age groups

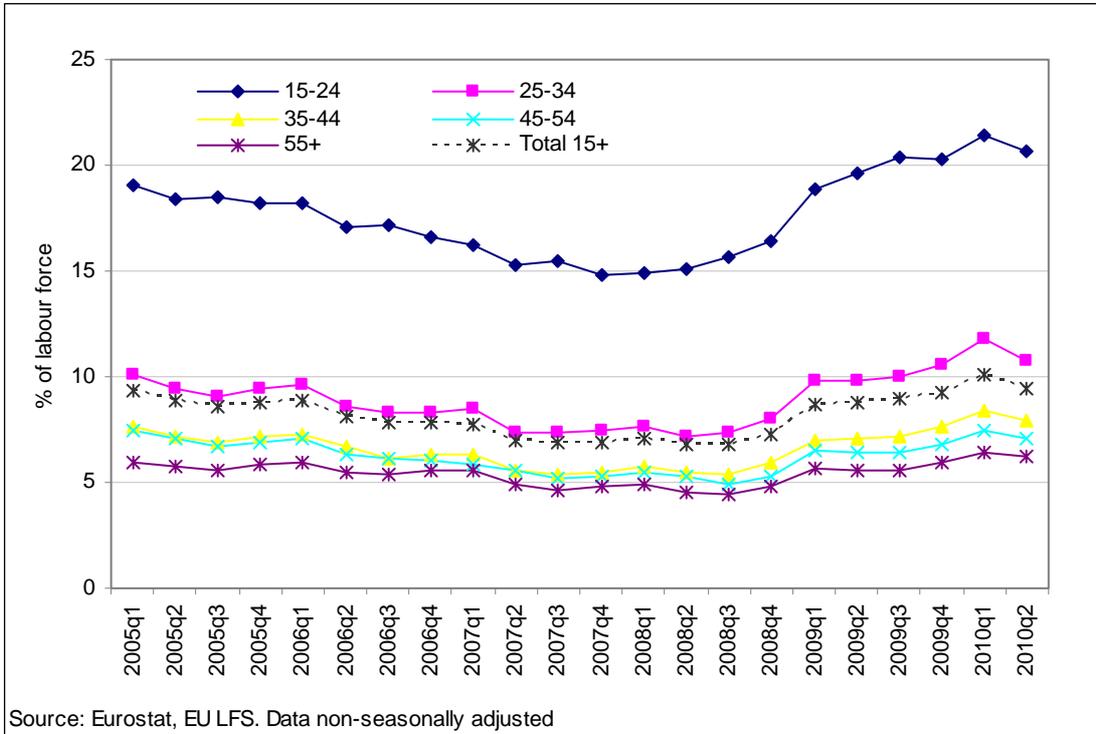


Figure 2b. Unemployment rates in the EU by gender

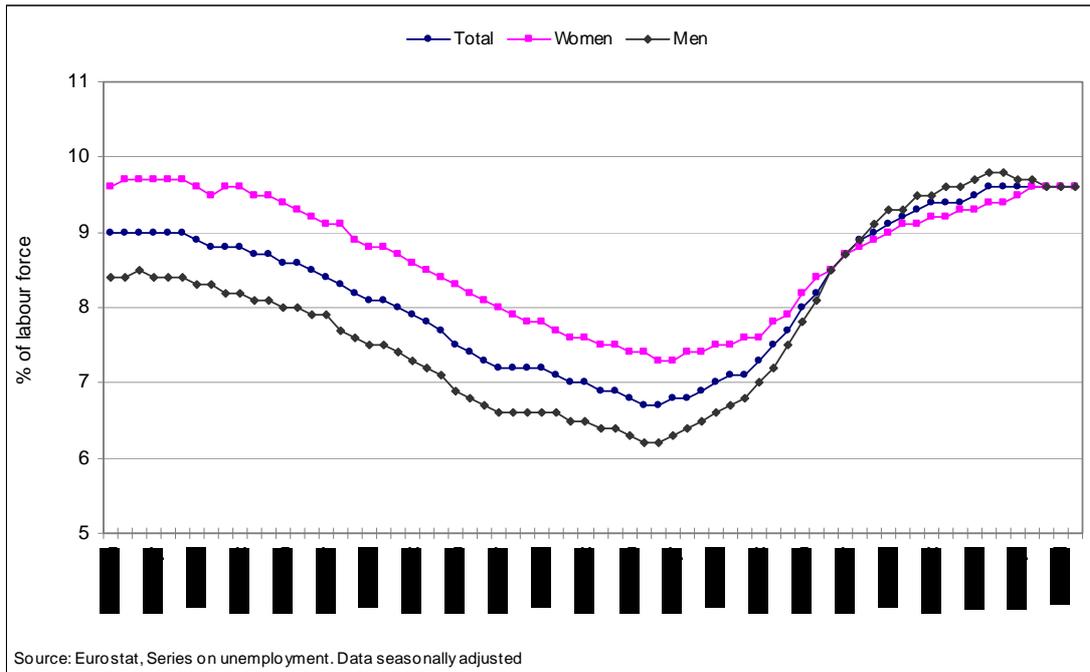


Figure 2c. Unemployment rates in the EU by nationality

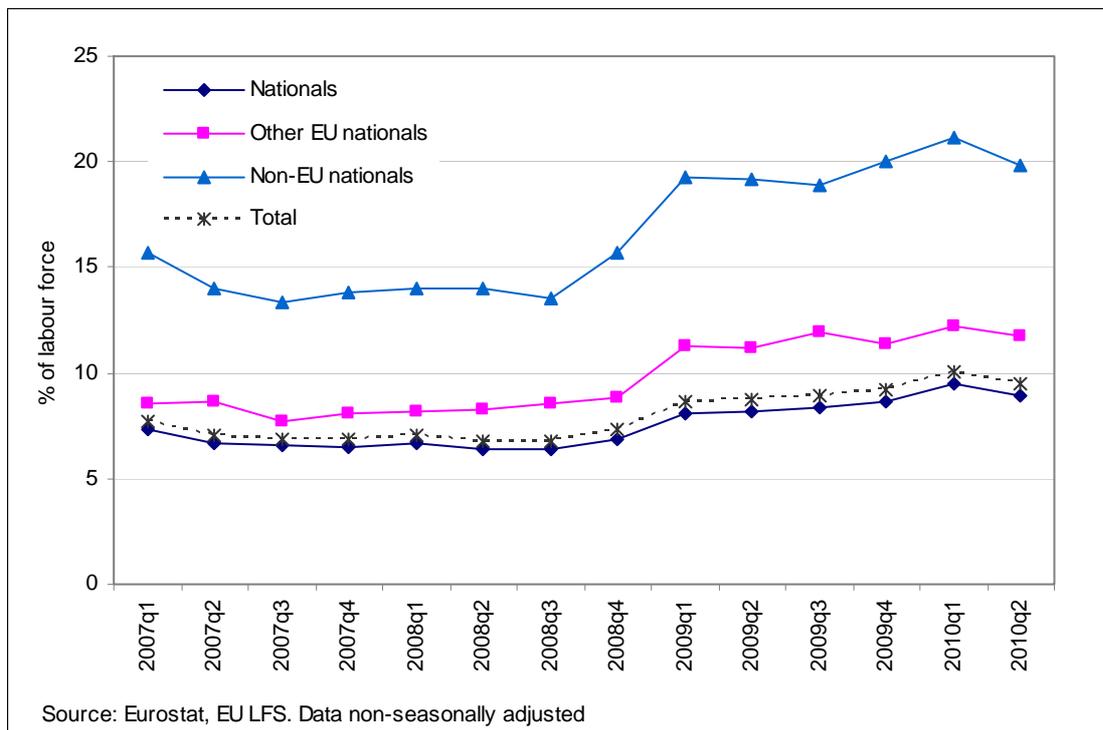
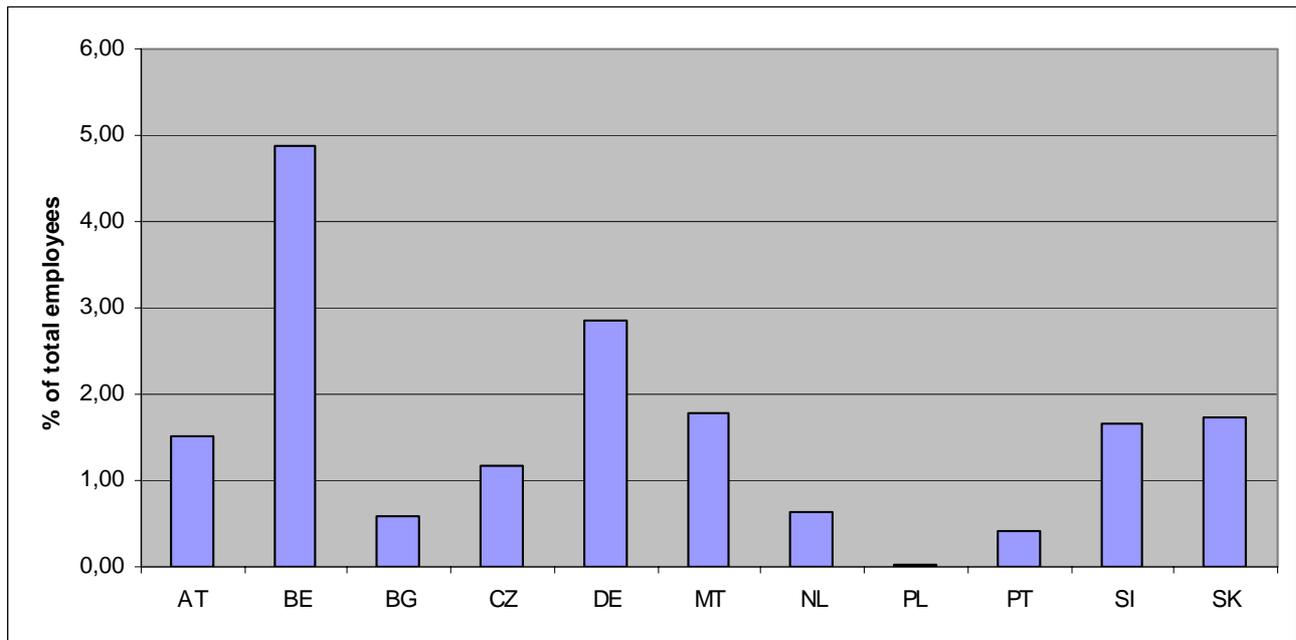
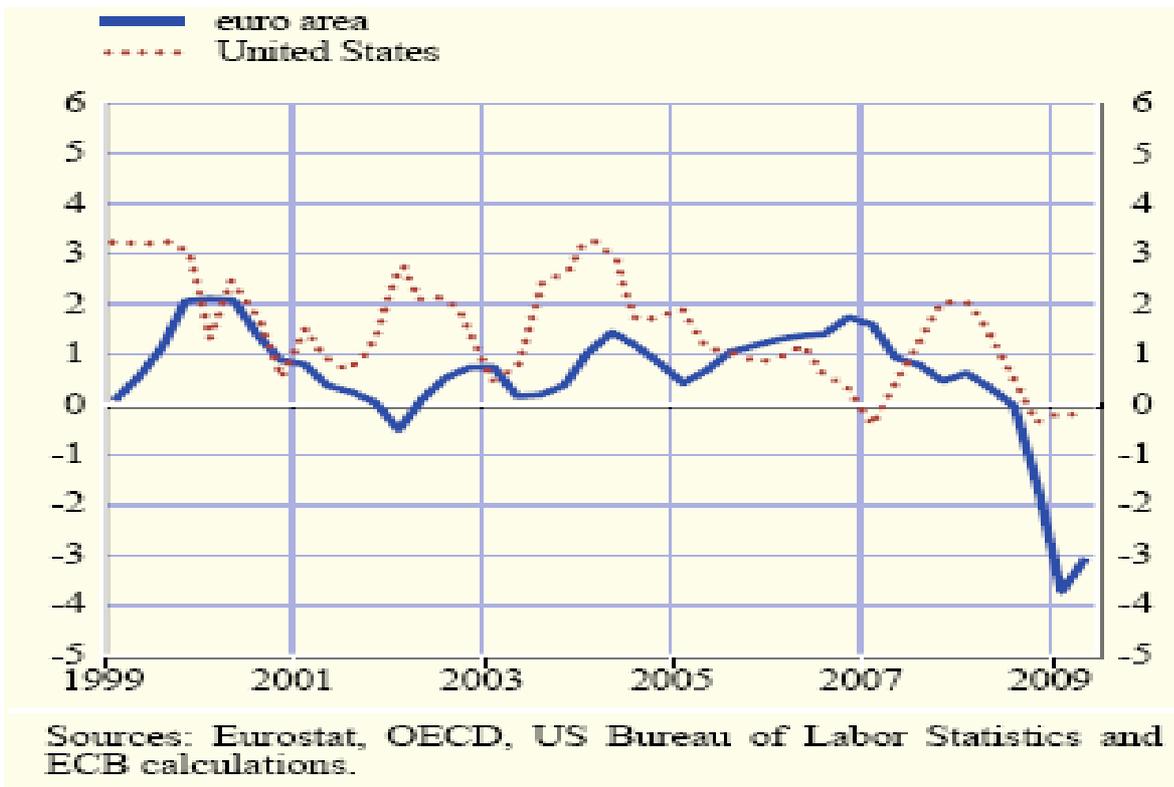


Figure 3: Share of employers taking part in STWA schemes – 2009



Source: OECD (OECD.stat) and DG EMPL calculations

Figure 4. Productivity per worker, Euro area and US



Source: European Central Bank

Annex

Measures taken by the Member States in the context of the crisis

At the end of last year, the Swedish Presidency and the Commission jointly published a collection of examples of labour market measures that had been implemented or modified by Member States in response to the crisis¹⁹. In this publication 27 different responses, one example from each Member State, were presented.

The recent examples listed hereunder are far from being exhaustive; they have been selected to illustrate the various points discussed in the document and may be of use and inspiration to other Member States. Further examples of measures to tackle the negative social impact of the crisis will be presented in a paper jointly prepared by the Social Protection Committee and the Commission for the EPSCO meeting in December 2010

1. Short-time work arrangements (STWA)

The *Kurzarbeitsgeld* in **DE** allowed the Government to help companies retain their employees in temporary periods of low demand for their products or services. In cases where employees agree to work and be paid for fewer hours, the Government compensates them for around two thirds of net earnings forgone (67% for those with children and 60% for those without), as well as covering some or all of the employer's related social insurance contributions. The employer must still pay the wages due for public holidays, paid leave and some sick leave. As a result, nearly all the decline in labour demand by lowering average working hours has been absorbed. Over 200 000 jobs have been saved with 1.4 million employees supported in 64 000 companies by autumn 2009. (By March 2010, the number of workers under STWA declined to 830 000).

In **BE** around 210,000 persons were covered by STWA and between 40 000-70 000 jobs are estimated to have been saved. In **FR** an estimated 400 000 workers participated of which 80.000 (20%) entered training (Jan 2009-June 2010) and 30 000 jobs are estimated to have been maintained by the measure.

In **CZ** a temporary wage supplement to employees whose working hours and wage have been cut due to the crisis was introduced as an ESF project ("*Get trained*"). So far, it has helped almost 140 thousand people to keep their jobs in 923 firms.

STWA financed from national funds contributed to the preservation of over 72 000 jobs in **HU**. Programmes co-financed by ESF have supported the training of over 30 000 persons and indirectly helped in preserving the jobs of some additional 40 000 people.

The fact that in **AT**, **BE** and **DE** the use of STWA declined by 50% or more in the last six months largely reflects the adequate design of these schemes in terms of incentives.

The **NL** STWA condition that no firing is allowed during or directly after participation has also been effective: only in a rather limited number of cases were subsidies demanded to be paid back because firms violated this requirement.

¹⁹ 'Recovering from the Crisis: 27 Ways of Tackling the Employment Challenge', 2009 November

2. Active Labour Market Policies (ALMP)

The *Sanssi*- (i.e. "Chance") *voucher* was launched in May 2010 in **FI** to subsidise full-time employment of young job-seekers. The voucher, which is worth maximum €550 per month for up to 10 months is issued by the Employment and Economy Offices and coupled with an employment plan. The voucher can be used for private companies, municipalities, associations, social enterprises and apprenticeship training. By mid-August, the voucher led to the creation almost 1400 jobs.

The *JobCentre Plus 'Rapid Response Service'* (RRS) in the **UK** aims to provide fast-track services in local and regional economies in the case of large scale redundancies since 2002. In 2008 the RRS has been expanded and revamped to respond in a more flexible manner to the effects of the crisis by decentralising decision making to JobCentre Plus managers. This enables local and regional offices to design the service most appropriate to their location and labour market needs by bringing in local partners (regional development agencies, skills agencies, employer organisations and trade unions) and using the available funding to plug any gaps in skills and service provision. Between November 2008 and April 2010 about 4.500 employers used the RRS and according to estimations as a result of the measures introduced by the program around 40.000 fewer people than expected have become unemployed.

In **BG** the ESF co-financed *'I Can'* programme funding training vouchers for employed and self-employed persons aiming to upgrade their qualification or obtain a professional qualification is attracting great interest. Almost 30 000 people enrolled in a training. BG also introduced a *'New Employment Opportunity Programme'* for newly unemployed, including a combination of job search assistance and consulting with training orientation and eventually subsidised employment.

33 mobility centres have been set up throughout **NL**, where public and private partners on the regional labour market (*inter alia* PES, employers, education institutes, temporary employment agencies) work together to ease the transition in the labour market and reduce labour shedding. As a result of the operation of these centres 107 400 people found a new job in 2009: 13 000 work-to-work and 94 400 people found a new job within 3 months time.

In **EE** individual counselling needs are identified in a personal job-search plan. A personal training card is compiled for those in need and a personal training voucher allocated (for 1000 €) providing flexible and quick access to training. A mobile counselling service is provided in areas and regions where access to information is difficult.

Small companies employing up to 10 workers benefited from zero charges for recruitments in **FR**. The measure covered nearly 1 million jobs for a budget of 750 million € (Jan 2009-June 2010).

The *'Green Marshall Plan II'* was launched in **BE** in 2009 with the objectives of creating employment opportunities, developing targeted environmental training schemes and tackling climate change. A dedicated training policy and green competence development centres have been set up to work on a partnership based approach with local education and economic actors to boost green employment and environmentally conscious business activity. Traditional apprenticeships and other curricula have been modified to include a clear targeting of green skills, furthermore, all training courses delivered by Le Forem now include

a module on environmental issues. Another important component of the plan is the 'ECO-climate' training voucher for in company green training initiatives.

PL strengthened the guarantee system for SMEs to improve the access of microenterprises and SMEs to external financing and provides assistance (grants, advisory, training) for employees recently dismissed or at risk of dismissals, intending to set-up their own firms.

The '*Back to Work (Enterprise) Allowance*' in **IE** allows those wishing to enter self employment to keep part of their payment for two years after the exit from unemployment and can also provide support for other expenses associated with business start ups.

In **SE** the capacity of the PES has been reinforced through an increased number of PES-officers and coaches. Moreover, the number of work placement schemes has been increased. The opportunities for young unemployed to take part in active labour market measures has been brought forward. For long-term unemployed the compensation in "new start jobs" has been doubled and for the unemployed older than 55 the qualification time for a "new start job" has been temporarily shortened from one year to six months.

3. Income support measures

In **ES** the '*Temporary Program for Unemployment Protection and Integration*' (PRODI) extends the duration of the unemployment benefit to provide income support appears to be effective. Unemployed persons receive an amount of 420€ per month for an additional period of six months. The aid is linked to a commitment to participate in integration pathways to facilitate their return to the labour market. Since its launch a year ago, more than 615 700 unemployed benefited from the aid provided by the programme and 30.7% of them have found work.

With the financial support of the World Bank and the ESF **LV** is implementing a '*Social Safety Net Strategy*' with the aim to cushion the impact of crisis, which inter alia includes support for providing guaranteed minimum income and housing benefits in all municipalities, as well as the '*Work with Stipends*' community programme. With the help of this programme local governments are able to provide income support and activation measures for the unemployed whose benefit entitlements have expired. The unemployed can participate (for a period up to 6 months within a year) in low qualified work for local governments or NGOs, receiving a LVL 100 (€142) stipend. Up till now 39 000 participants have been involved. The Latvian authorities have envisaged evaluating the programme in co-operation with the World Bank.

Austerity measures (type of measure)	AT¹	BE²	BG	CY	CZ³	DE	DK	EE	EL	ES	FI⁴	FR	HU	IE	IT	LT	LU	LV	MT	NL⁵	PL	PT	RO	SE⁶	SI	SK⁷	UK
Reduction or freeze in public sector employment			X	X		X		X	X	X		X		X		X		X		X		X	X		X	X	X
Reduction or freeze of public sector pay levels			X		X			X	X	X		X	X	X	X		X			X	X	X			X	X	X
Reduction of spending on ALMPS	X					X																					X
Reduced generosity unemployment benefits						X	X							X		X		X					X	X			
Reduced social allowances				X	X	X		X	X	X			X	X		X		X					X	X			
Pension reforms/higher retirement age			X					X	X	X		X	X		X	X		X			X		X				X

¹ The austerity package shall enter into force on 1st January 2011. Its details have to be agreed upon with the Social partners and will be finalised in autumn.

² Reduction or freeze package will be identified after the formation of the new government.

³ Further austerity measures are currently being discussed in the framework of preparing the draft 2011 budget

⁴ No specific austerity package; progressive unwinding of stimulus measures

⁵ At present, a 'caretaker' government with limited authority is in place, thus so far, the Netherlands has not unveiled a big austerity package, but large-scale reductions in public spending are expected next year.

⁶ No specific austerity package.

⁷ The austerity package *proposal* was announced on 16 August (not yet adopted)