



ESPN Thematic Report on integrated support for the long-term unemployed

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

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Summary

Support for the long-term unemployed in Switzerland is highly fragmented. Depending on their social insurance status, long-term unemployed people receive cash benefits either from unemployment insurance or from social assistance (or from both). Help in jobseeking is provided by the public employment service (PES) or by the social service agency, depending on the canton. In addition, for long-term unemployed people with health problems, invalidity insurance can play an important role, at least by providing an alternative to labour market participation. This high level of institutional fragmentation creates coordination difficulties that are compounded by the fact that different schemes belong to different levels of government: unemployment and invalidity insurance belong to the federal level, while social assistance is a cantonal/municipal responsibility. This peculiar institutional set-up creates incentives for the different actors to play the cost-shifting game (shift costs to a different level of government) instead of putting all their efforts into bringing people back to employment.

Most actors are clearly aware of the inefficiencies created by institutional fragmentation, and both the federal and cantonal governments have actively promoted "interagency collaboration" as a tool to improve overall coordination of the system. However, various attempts at collaboration have shown the limits of this approach in a context where institutional incentives encourage actors to shift costs rather than to collaborate.

An additional problem identified in this report refers to the lack of incentives for social assistance clients to take up employment. Benefits are generally reduced on a 1 to 1 basis in case of income earned from work, and benefit levels relative to wages are so high that, for low-skilled parents, it is very difficult to end up better off by working than by being on benefits. Attempts to deal with this issue – such as the introduction of a small earnings disregard on income from work – are deemed inadequate.

Overall, the most promising avenues so far as support for long-term unemployed people is concerned are cantonal pilot projects consisting of local coordination initiatives. Such initiatives are currently being promoted by the federal government, but their potential is limited by the overall institutional framework.

A second good prospect involves the contracting-out of support to private service providers. In this case, individualised support is available for a limited period of time, and this avoids some of the shortcomings of the existing institutional fragmentation.

1 Benefits and services supporting the long-term unemployed

Long-term unemployed people in Switzerland receive benefit and services from essentially two institutions: unemployment insurance with the public employment service (PES), and social assistance. The duration of unemployment insurance varies according to the contribution record and the age of the unemployed person. A minimum contribution record of 12 months over a 24-month period is required in order to benefit from 12 months' coverage. A longer contribution record increases the length of the insurance coverage by the same duration, up to a maximum of 18 months for unemployed people aged 18 to 54, and to 24 months for those aged 55 and over. As a result, some long-term unemployed, defined as individuals who remain jobless for at least 12 months, receive unemployment insurance benefits. They are also eligible for all the services and activation measures provided by the public employment service.

Other long-term unemployed people – for example those who were self-employed (not covered by unemployment insurance) and those whose entitlement to insurance benefits has run out – must turn to social assistance. Social assistance is subject to cantonal and municipal policy, with substantial differences in the way it is implemented in the country. In some cantons, long-term unemployed people are registered with the PES and have access to some of the existing activation measures. In others, they receive some services from the social service agency. There is considerable variety in the approaches adopted, and we lack a precise overview of what actually goes on in terms of services across the 26 cantons and over 2,000 municipalities that make up the country.

1.1 Cash benefits

Long-term unemployed people who are eligible for unemployment insurance receive earnings-related benefits, corresponding to 80% of the insured salary for those with dependent children or a spouse, and 70% for those without. In the event that the amount received is insufficient to lift the household above the social assistance level, then a top-up benefit is provided by social assistance.

The situation is more complicated for those who rely on social assistance only. Benefit levels are set by cantonal laws, meaning that there are 26 different sets of rules. However, a non-governmental body called SKOS (Schweizerische Konferenz für Sozialhilfe – Swiss Conference for Social Assistance) issues guidelines that are generally followed by the cantons. Arguably, this is because of the highly politicised nature of the exercise, and cantonal governments prefer to rely on these guidelines rather than to engage in a politically risky exercise of defining benefit levels on their own. SKOS is a private association that comprises representatives not only of cantonal and municipal social services, but also of the main anti-poverty organisations, such as Caritas. It has about 1,000 members. The SKOS guidelines correspond to the average disposable income of the poorest 10% of households in Switzerland, calculated on the basis of a national survey. Over the last few years, these guidelines have come under attack. Some municipalities, which are in charge of the implementation of social assistance, complained that benefit levels were too attractive (especially for large families) and decided to leave SKOS (as a private association, membership is voluntary). Right-wing political parties have picked up the issue, and some of their members have insisted that benefit levels should be roughly halved.

The debate on the appropriate benefit levels is currently highly topical.¹ The controversy concerns mostly the level of the benefit, which is regarded by many commentators and centre-right politicians as too high.

¹ See the flash report on "Redefinition of social assistance benefit levels in Switzerland", 27 February 2015.

What can be said in this respect is that the current benefit level seems to be helpful in limiting poverty: Switzerland has at-risk-of-poverty rates that are in the region of 14–15% for the general population. Sharp reductions in benefit levels would almost certainly result in an increase in this figure. However, the way benefits are calculated substantially limits work incentives, especially for families. With the exception of a small earnings disregard (the amount of which varies by canton), extra income from work reduces benefits on a 1 to 1 basis, amounting to an effective rate of marginal taxation of 100%. In some cases, threshold effects even generate effective marginal tax rates higher than 100% (Knupfer et al. 2007). Finally, activation is not highly developed within social assistance (see below).

1.2 Services

Long-term unemployed people who are eligible for unemployment insurance are registered with the PES and are eligible for all the activation services and measures available. The range of services is very broad, and includes the standard package of active labour market policies that one finds in the most developed European welfare states. More precisely, available programmes include:

- various offers of training, including short courses, language training, training for job search, but also long-term vocational training
- job subsidies for private employers who hire a long-term unemployed person. These consist of a sliding subsidy covering 60% of the salary over a period of six months. To receive the subsidy, the employer must prove that some training or practice is necessary before the new employee becomes fully productive
- job creation programmes in the public or non-profit sector.

Job search conditions are strictly enforced, as with all insurance unemployment benefits. It is agreed with the relevant case worker that a certain number of applications will be made each month, and failure to comply (in terms of quantity or quality) results in sanctions.

As with cash benefits, the situation is more complex for long-term unemployed people who rely on social assistance, because of the great diversity we see across the country. In a few cantons, social assistance clients deemed fit for work are systematically required to register with the PES. In others the requirement is not systematically enforced. And in still other cantons, social assistance provides integration/employment services on its own. What has emerged in the attempts to map services for social assistance clients is that these tend to have a strong social orientation, and are often not so much geared toward labour market re-entry. Some large cities have started enacting more ambitious programmes. Overall, however Swiss social assistance has not undergone an “activation turn” similar to those seen in other EU countries (Bonoli and Champion 2013; 2014).

For social assistance clients, pressure to actively look for a job is in general arguably lower than for unemployed people receiving insurance benefits.

Additional obstacles to labour market participation of social assistance clients have been identified in relation to childcare and debt. In Switzerland, there is a shortage of childcare services, and the lack of a childcare solution is often an important obstacle to employment. Sometimes, the PES requires the parents of young children to have a childcare solution, in order to be able to register as a jobseeker. The social services provide limited help only. Clients who have significant amount of debt outstanding face an additional disincentive to take up employment. In fact, while on social assistance they enjoy full protection from their creditors. The social services can provide limited help, for example by helping a client who has an employment opportunity to renegotiate his or her debt.

2 Coordination between services towards a one-stop shop approach

In Switzerland, the provision of benefit and services to long-term unemployed people requires the coordination of institutions located at different levels of the federal structure of the country. Unemployment insurance is a federal policy, ruled by federal legislation. The PES is a joint responsibility of the federal and the cantonal governments, with the federal level providing the overall structure and doing some performance benchmarking, and the cantons being responsible for implementation.

Social assistance, by contrast, is a cantonal responsibility. In most cantons, particularly in the German-speaking part of the country, implementation is devolved to the municipalities.

The coordination of provision for the long-term unemployed is further complicated by the need to involve a third actor, invalidity insurance, which is a federal insurance programme but, as with the PES, its implementation is a task for the cantons. Invalidity insurance is an important piece of the puzzle. In fact, long-term unemployed people often suffer from health problems that make labour market participation difficult. Sometimes these are of a psychological nature, and may be related to labour market exclusion. In addition, the risk is that invalidity insurance provides a convenient way to solve the difficult problem of bringing back long-term unemployed people into employment by simply declaring them disabled. Invalidity insurance comes under the responsibility of the Federal Ministry of the Interior, while unemployment insurance is run by the Ministry for the Economy. This further complicates coordination.

The big challenge for coordination is that the system tends to provide incentives to shift clients to different institutions and levels of government, rather than to focus all efforts on activation and labour market re-integration.

2.1 Interagency collaboration²

After a few years of rising caseloads in all social programmes (see Figure 1), the fragmentation of the social security system came to be regarded as hampering effectiveness in dealing with this problem. As a result, in the early 2000s, we saw the emergence of a debate on interagency collaboration. The idea behind this is to make available to social assistance clients those tools and capabilities for promoting access to employment that have been developed in the federal schemes covering unemployment and invalidity insurance.

Interagency collaboration was conceived as a limited and pragmatic form of coordination (Gächter 2006). The intention was to tackle the fragmentation of social security by developing a somewhat informal type of cooperation, to take place at the delivery level among case workers. A slightly more ambitious collaboration initiative was launched in 2005 under the title MAMAC.³ The pilot generated high expectations with regard to its capacity to deliver a real improvement in terms of activating social security claimants in general, and social assistance clients in particular.

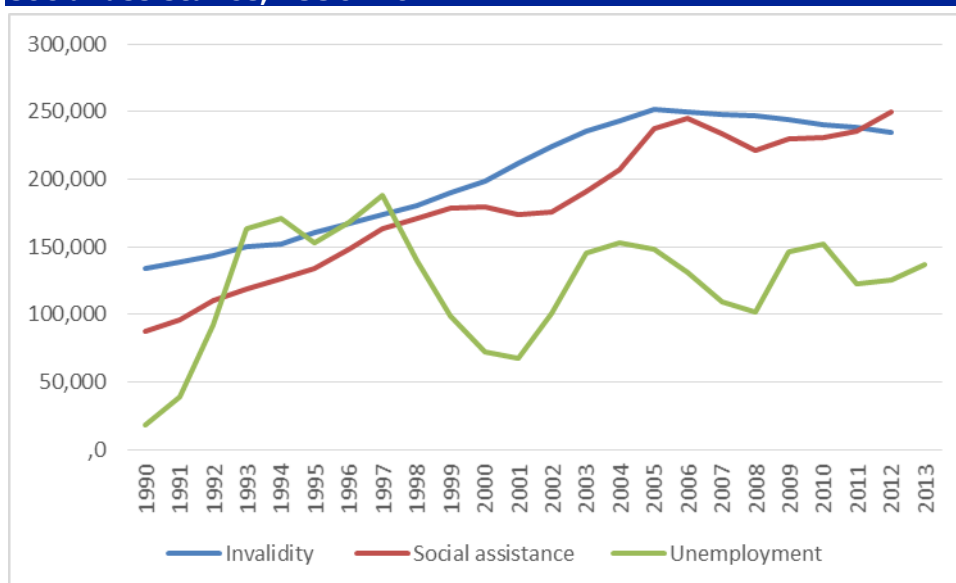
An evaluation of the MAMAC pilot was published in 2010. It showed that expectations had been too high. The evaluation came to the main conclusion that, despite a good assessment by clients and case workers, MAMAC did not lead to higher employment rates, and nor did it reduce welfare expenditure. Moreover, from an administrative point of view, the evaluation concluded that collaboration procedures were too complex (Egger et al. 2010). Surprisingly, despite these disappointing outcomes, the federal government decided to pursue the road of interagency cooperation and to develop it further. It set up two national coordination groups and a permanent but

² This section has been written in collaboration with Cyrielle Champion.

³ MAMAC stands for Medizinisch-Arbeitsmarktliche Assessments im Rahmen des Case Management (Medical-Vocational Assessment for Case Management).

small federal office in charge of redefining the future objectives and principles of interagency cooperation (Bonoli and Champion 2014).

Figure 1. Number of clients of unemployment and invalidity insurance and social assistance, 1990–2012



Source: OFAS, OFS, SECO.

One additional problem in relation to interagency collaboration is information exchange among agencies. The three main agencies have their own databases, and data protection rules do not allow them simply to exchange information. In the MAMAC pilot, an additional common database was set up, so as to allow staff from the three main agencies to access all relevant information. But this meant extra work for frontline staff. Difficulties in accessing information is a regular complaint voiced by frontline staff participating in interagency collaboration.

2.2 Coordination at the cantonal level

Coordination initiatives sponsored by the federal government have had limited impact. As a result, different cantons and municipalities have developed alternative ways of providing comprehensive services to the long-term unemployed. Large cities in the German-speaking part of Switzerland tend to have their own re-employment services, independent of the cantonal PES. The dominant opinion among these actors is that PES staff do not care about long-term unemployed people, because these are generally difficult to place and risk spoiling the image of the whole service. As a result, they have a preference for “in house” activation services. This approach has sometimes been criticised for a focus that is too “social” and insufficiently geared towards participation in market employment (Bonoli and Champion 2013).

French-speaking cantons have tended to follow a different path. In some cases, they require social assistance clients who are deemed fit for work to register with the PES. There, they have access to most services available to insurance benefit clients. This approach also has some drawbacks. First, PES criteria for being considered “fit for work” are rather demanding, and above all imply willingness to take up a suitable job.⁴ This means that often poorly motivated social assistance clients are sent back to the social services from the PES.

⁴ The definition of “fit for work” (*Vermittlungsfähig/Apte au placement*) can be found in the Federal Law on Unemployment Insurance, and states that “an unemployed person who is willing, capable and has the right to take up a suitable job” is considered fit for work (Art. 15).

Overall, the consensus among experts is that Switzerland still has to find an optimal way to coordinate social assistance, the PES and invalidity insurance. This is one reason why the federal government is currently encouraging cantons to set up pilots for collaboration between social assistance and the PES (Lindenmeyer and Walker 2010). One such pilot is currently under way in the city of Lausanne, and consists of a joint unit staffed by both PES case workers and social workers. It is hoped that the new unit will limit the process of shifting clients (and costs) among agencies. An evaluation is planned, and results will be available mid-2016.

2.3 Coordination, incentives and the cost-shifting game

Attempts to improve coordination and collaboration have generally been frustrated by the fact that the fragmented social security system contains incentives to shift clients (and costs) to different institutions, rather than try to return those clients to the labour market. This "cost-shifting" game is played in different ways by different actors. Federal programmes tend to limit access by changing legislation or implementation of the programme. For instance, successive reforms of the federal unemployment insurance scheme have increased the contribution requirement to be eligible for benefits. This has meant that larger numbers of unemployed people must now rely on social assistance. In addition, the implementation of invalidity insurance has become stricter, particularly the medical aspects of it. According to many commentators, this fact is responsible for the drop in invalidity insurance caseloads that can be seen from 2006 onwards (see Figure 1).

Cantonal social assistance actors play the cost-shifting game, too, but with different tools. For several years, cantonal job creation programmes were sometimes designed so that participants would become eligible for federal unemployment insurance (by paying contributions). This practice has now been outlawed, but given the fragmented nature of social assistance in the country, it is difficult to monitor whether the ban is respected, especially at the level of municipalities.

It is also known that cantonal/municipal social services are proactive in trying to secure an invalidity pension for their clients. For example, social services may pay the legal fees for a client to appeal against a negative decision on invalidity insurance. It is unclear how this effort contributes to the stated aim of bringing as many non-working clients back into employment.

3 Individualised approaches

Given the very high level of variation in the implementation of policies for the long-term unemployed, it is difficult to answer this question for the whole country. A few points are worth mentioning, though.

First, all unemployed people who are registered with the PES receive individualised support. This includes long-term unemployed people who are still covered by insurance benefits (which can last up to 18 or 24 months, depending on age, see above). In this context, they are assigned to a reference case worker, who designs a re-employment plan. This plan depends on the individual circumstances of the unemployed person, and will include a given number of job applications per month and possibly participation in training or some other labour market programme. Compliance with the plan is mandatory. If a client fails to comply, he or she can be sanctioned, and in case of persistent lack of compliance be declared "unsuitable for work" and as a result lose all entitlement to the insurance benefit (but not to social assistance). Case workers have wide discretion in defining the re-employment plan, together with the unemployed person, and can adapt it to individual circumstances.

Second, in some cantons, a similar approach is followed by social assistance, too. However, the focus on re-employment in the labour market may be less strong. There is certainly wide cross-cantonal variation in this respect, and we lack precise knowledge of the different practices.

In some cantons, individualised support for long-term unemployed people is contracted out to private actors, usually for a limited period of time (typically about six

months). Depending on the canton, those eligible for this kind of support may be only those long-term unemployed people who are still covered by unemployment insurance, or else those who also rely on social assistance. The type of support provided can be very different. Two examples are provided.

3.1 The J'EM programme in the Canton of Vaud⁵

J'EM (*Jusqu'à l'emploi* – Until employment) is a six-month intensive support programme for long-term unemployed people. Most of its clients are social assistance recipients who are considered fit for work, but who face several obstacles. The philosophy of the programme is intentionally unconventional, based on the assumption that these unemployed people have already tried, and failed, to find employment using traditional means. The main emphasis is on improving the “signals” that are sent out by the jobseekers (for example, by improving the look of a CV, or by suggesting an unconventional way of presenting it). Substantial effort is also made to obtain information on vacancies that are not advertised, and emphasis is placed on networking. Jobseekers are coached throughout this process. The support is individual, but many of the job search activities are group based or performed by pairs of unemployed people, allowing them to benefit from each other's support and creating positive emulation effects. The programme has been evaluated (though not with a randomised control trial design) and has been found to be promising, even though many unemployed people drop out before completion (Cour des comptes du Canton de Vaud 2014).

3.2 The IPT foundation⁶

IPT (Integration pour tous – Integration for everyone)⁷ is a private, non-profit making foundation specialising in the re-employment of unemployed people with health problems. The concept of a health problem is a broad one, and includes psychological problems that are not considered to be a disability by invalidity insurance. The programme exists in some ten cantons, mostly in the French-speaking part of the country. It is available to jobseekers covered by unemployment insurance in all these cantons. In some cantons it is also available to social assistance clients. It is an intensive, individualised support programme for job seeking that lasts for six months in most cases. Here the emphasis is on improving the soft skills of clients, in particular their self-confidence and psychological stability. Clients go through a series of “workshops” and receive individual support, with a rather favourable staff to client ratio (about 1:30). The foundation, which was initially set up by a group of large employers in the Geneva area, has access to a network of firms that provide opportunities for temporary trial employment, and sometimes also permanent employment. The IPT programme has not been subjected to scientific evaluation.

⁵ More information on the J'EM programme is available at: http://www.vd.ch/fileadmin/user_upload/themes/economie_emploi/chomage/fichiers_pdf/6C4_3_J_EM_Descriptif-resume.pdf

⁶ More information on the IPT programme is available at: <http://www.fondation-ipt.ch/>

⁷ Giuliano Bonoli, the author of this paper, is a member of the Board of IPT (Conseil de fondation).

4 Overview table

		Please put an X in the column that best represents the situation in your country			Please summarise in a few words and in order of priority the 3 key gaps that need to be addressed to improve effectiveness (if only one gap just complete one column)		
		Very good	Medium	Weak	Gap 1	Gap 2	Gap 3
Effectiveness of benefits & services supporting the long-term unemployed	Income benefits		X		Lack of incentives to take up employment		
	Social services		X		Strong "social" orientation	Should work more in conjunction with PES case workers	
	Activation services		X		Unevenly available		
Effectiveness of coordination between employment, social assistance and social services				X	Incentives go against coordination		
Extent of individualised support			X		Unevenly available		

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