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Synthesis Report

**Attracting more people to
the labour market**

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Marjolein Peters
ECORYS

www.mutual-learning-employment.net



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1. Introduction

The need to attract more people to the labour market

The theme chosen for the 2007 spring semester of the EU Mutual Learning Programme of the European Employment Strategy was 'attracting more people to the labour market'. Traditionally employment policies were mainly directed at the labour market reintegration of unemployed, notably those receiving unemployment insurance benefits. More recently, the activation of recipients of other benefit is receiving equal attention. Two factors directly contributed to this trend. The employment targets agreed in the framework of the Lisbon strategy for Jobs and Growth have shifted the focus from combating unemployment to increasing participation. Participation implies a larger target group for employment policies that includes the inactive population. At the same time, various Member States experienced an increase in the take-up of e.g. social assistance and disability benefits, which reinforced the need to review the role of employment and activation for various economically inactive groups. With it came a review of the tools applied in activation and the incentives policies, as well as disincentives to work in social protection and taxation systems.

An integral approach

Xavier Prats Monné (Director for Employment, Lisbon Strategy and International Affairs, DG EMPL) in his opening statement of the Thematic Review Seminar (TRS) called for an integral, balanced approach to the subject. He referred to flexicurity, a key issue in EU policy, in which flexibility measures and security are to be combined. He called for intelligent ways of achieving at the same time bringing people back to work while preserving the principles of protection and social inclusion. He drew attention to the need to consider also the administrative capacity to implement the variety of measures.

The theme for the spring semester encompasses the efforts to be made to increase employment of groups with a large distance to the labour market, with particular attention to the role that the design and implementation of benefit systems play in this respect. Xavier Prats Monné pointed out that the discussion of this theme could only be conducted if the employment as well as the social protection side were taken into account. This was reflected in the themes for discussion, as well as in the presence of the chair persons of the EU Employment Committee (EMCO) and the EU Social Protection Committee (SPC) during the TRS.

Employment and economic considerations

Bruno Coquet (EMCO) stressed the need for activation. He described the three priority areas for EMCO: making work pay (MWP), increasing the employment rate and flexicurity. He called for a combination of flexibility and security at a reasonable cost. He also pointed to the importance of ensuring adequate demand for labour, by stimulating economic growth, creating incentives for employers to hire potentially less productive employees or perform less profitable low productive work, while at the same time assuring the quality of jobs.

Social inclusion considerations

Elise Willame (SPC) called attention to the need for adequate social protection systems. She also pointed out that for the reintegration of people with a large distance to the labour market activation measures often need to be combined with social services. She stressed that for these target groups the objective often cannot or not immediately be labour market integration. Softer objectives such as gaining self-confidence or adjusting to work and society constitute ambitious objectives for these groups whose achievement may be considered a first or intermediate step towards more ordinary labour market programmes. The concept of active inclusion, with its three pillars of minimum income schemes, social services and ALMPs, encompasses the above.

Actions undertaken during the semester

During the Thematic Review Seminar on 'Modernising and activating benefit and social protection systems to promote employment' on 28 March the framework for policy making in this area was elaborated. Two subjects were discussed during this seminar. The seminar focused firstly on the relationship between different benefits schemes and the extent to which lessons from the activation of unemployed can be transferred to the newer target groups of employment policies. Secondly, the seminar addressed the interaction between benefit systems and Active Labour Market Policies (ALMPs) and activation and participation in general. The themes developed in the Thematic Review Seminar were subsequently further elaborated during three Peer Reviews: on implementing the new basic allowance for job seekers in Germany (17-18 April), assisting the disadvantaged groups in Malta (10-11 May) and on the new Work and Social Assistance Act in the Netherlands (4-5 June).

2. Benefits and activation: a framework for analysis and action (TRS)

2.1. Key concepts and approaches

2.1.1. Non-employment and inactivity

Ides Nicaise (Leuven University) further defined some of the key concepts in the discussion. He pointed out that non-employment covers both unemployment and economic inactivity. The inactive population refers to persons that are neither employed nor unemployed. He stressed that it is important to keep in mind that inactive people may well be active in a non economic sense and that they are not necessarily –personally- in receipt of benefits. Reasons for inactivity differ between groups and range from studying to performing care and household work, discouragement from job seeking, and work incapacity. All these groups are target groups for attracting more people to the labour market.

2.1.2. Transitional labour markets

The transitional labour markets approach was proposed by Ides Nicaise as a framework for analysis. This approach puts the focus of policies on raising welfare and preventing exclusion rather than maximising (individual) employment at a given time. This approach would seem an interesting starting point in the light of the call for integration of employment and social inclusion objectives mentioned above. Labour market transitions can be 'favourable' and 'unfavourable'. (see Employment in Europe

2005 analysing labour market transitions in the EU). A transition into employment will usually be favourable as will be a transition from work into retirement at retirement age. The outcomes show that the main unfavourable transitions are: from employment into inactivity and the transition from unemployment into inactivity. The prevention of these transitions, as well as the way policy makers can further the transition from inactivity to work, are the key issues Member States should address to attract more people to the labour market and retain them.

2.2. Different benefits - different approaches?

2.2.1. *Social risks*

Undesirable transitions have to do with social risks, such as skills obsolescence, ageing and family insecurity (all relatively new) and work incapacity or retirement (the traditional social risks). These social risks can be managed through financial mechanisms (tax and benefit systems) or non-financial measures. The latter include ALMPs, but also lifelong learning and work and family life reconciliation measures. Both types of mechanisms can be governed by an economic / insurance or by a capabilities / resources approach.

2.2.2. *Economic / insurance approach*

This first approach is closely related to neoclassical economic theory. It assumes that individuals make rational choices regarding the allocation of their time, balancing leisure time and income with a view to maximising welfare. With regard to social protection schemes and activation, making work pay strategies are a good example of this approach. Research quoted by Ides Nicaise and Marjolein Peters partly confirms that the underlying assumptions of this approach are valid and will remain valid. Lower taxes, in-work benefits, higher minimum wages, and closing down of tax reduction for early retirement contributions have clear impacts. However, in many cases they vary depending on the target group envisaged. David Grubb confirmed from his own work at the OECD that e.g. limits on unemployment insurance have the effects on behaviour predicted by economic theory. Lowering benefit levels on the other hand has proven far less effective than expected in terms of employment. The economic approach does seem to be more effective for some than for other groups and situations, examples being notably older workers and people at the lower end of the labour market. In addition, groups for whom a combined path (benefit and work) is desirable, e.g. lone parents and partially disabled are likely to be confronted with financial disincentives to work, which requires actions along the lines of this approach.

2.2.3. *Capabilities / resources approach*

The capabilities or resources approach focuses on people's employability and the investment in resources required for raising this employability. Training is the more accepted way of doing this, but in the capabilities or resources approach, higher benefits can also be seen as an investment in resources. Higher benefit incomes enable access to resources that further the chances of finding work, such as a telephone, a newspaper subscription, a computer and internet access, and a car. Nicaise and Groenez (2004) found a positive effect of higher benefits and longer benefit entitlements on mobility from unemployment into (decent) work. They assume similar effects would occur for disablement benefits, but not for social assistance or early retirement schemes. The capabilities approach would, hence,

seem a viable alternative for those groups and situations for which the traditional economic approach seems to be less successful.

OECD data seem to provide some economic rationale behind the capabilities approach. They show that in international comparison, net replacement rates have a strong, positive correlation with spending on labour market programmes. There is no correlation between net replacement rates and unemployment rates. David Grubb concludes that the highest net replacement rates seem to make labour market policy expensive and difficult to manage. However, if they can be managed successfully, he sees two advantages: high replacement rates improve the situation for low-paid workers in general, while ALMP spending in the form of training may have a positive impact on their productivity.

2.3. Successful interaction of benefits and ALMPs

2.3.1. The need for interaction

David Grubb (OECD) described the direct effects of ALMPs, concluding that they do not seem large enough to tackle high unemployment by themselves. Indirect effects, through the benefit system, are far less researched, but existing research suggests that actual impacts may be higher. Marjolein Peters pointed out during the TRS that benefit systems and ALMPs need to be better aligned as they jointly work more effectively towards labour market integration. She distinguished two levels at which this can be realised. Firstly, this can be done at the level of regulatory criteria and provisions, i.e. the design of benefit systems and ALMPs. Secondly, interaction can be furthered at the organisational level, i.e. in the implementation of the two systems. Both are applied already across the EU.

2.3.2. Interaction at policy design and at implementation level

When it comes to the design of their systems, Member States have predominantly applied the economic approach: tighter eligibility criteria and less generosity in benefits, and making the combination of wages and benefits financially more attractive. Member States have also introduced tighter job search criteria and provisions in benefit systems that are related to the participation in ALMPs. The more far-reaching and more promising initiatives, however, seem to be related to initiatives at the level of implementation. Intensive co-operation between benefit implementing body and Public Employment Service (PES), in some countries leading to (experiments with) actual integration, creates an environment in which the integral approach required for the more difficult target groups is more likely to be realised. Ides Nicaise listed the characteristics that activation strategies for vulnerable groups should combine: early profiling of the target group; personalised counselling; an integrated, multi-service approach; and the application of flexible pathways.

2.3.3. Work first and active social policies

In a number of countries 'work first approaches' have been introduced, whereby the receipt of benefits became strictly dependent on the active participation of beneficiaries in ALMPs or other activities that would bring them back to work. Work first entails a pro-active and integrated approach. David Grubb quoted research in the United States showing very positive effects on the outflow of participants. A similar approach, but putting more emphasis on social inclusion objectives preceding or superseding employment objectives is the 'active social policies' (ASP) approach. These policies aim to activate unemployed groups with a large distance from the labour, typically vulnerable and often marginalised

groups. The final aim remains integration into regular jobs. Both approaches seem to attain the envisaged short-term effects. Longer-term effects and efficiency have not yet been evaluated.

2.4. Four country examples

2.4.1. Reforms of benefits and ALMPs

Four countries presented a fairly recent reform in the area of benefit systems and ALMPs: Denmark, Slovenia, Germany and Lithuania:

- For Denmark the Danish Welfare Agreement (WA) from 2006 was presented. It includes several measures to strengthen the efforts to reduce unemployment. The aim is to enhance job search and job matching e.g. by involving the unemployment insurance funds more actively and by a more intensive follow-up on non-successful job matching.
- Slovenia in 2006 reformed the social transfer system with the aim to establish a simpler, more motivating and fairer system. The measures taken included creating a single point of decision making for different benefits and modifying conditions for social assistance in order to stimulate work.
- In Germany, as of 1 January 2005, under the reforms known as 'Hartz IV', unemployment assistance and social assistance for persons who are capable of working were merged into one benefit, the basic allowance for jobseekers. This was accompanied by substantial changes in the relation between PES and benefit implementing bodies.
- In Lithuania, two important laws came into force in 2005 and 2006: the law on the promotion of employment and the law on unemployment social insurance. The goals of the former are full employment, to reduce social exclusion and to strengthen social cohesion and thus to better match labour supply with demand and to increase the employability of job-seekers. The law on unemployment social insurance regulates the entitlement to unemployment benefits, its duration and termination.

2.4.2. Comparison of the reforms

From the presentations and the discussion afterwards it became clear that the reforms that were undertaken took place against very different backgrounds, but were always far reaching. The Lithuanian and Slovenian reforms focused on ensuring adequate and efficient benefit systems and labour market policies. Slovenia and Lithuania explicitly mention the link between benefit systems and ALMPs in their core legislation; in Slovenia through modifying conditions for the receipt of social assistance to assure a link between social and employment policies and in Lithuania through employment friendly social assistance. Both countries paid attention to the (dis)incentives to work emanating from benefit systems, notably through provisions regarding work oriented activities. Germany and Denmark reformed their systems' design, but also introduced fundamentally new implementation structures. All countries had included integration tools targeted at people furthest removed from the labour market.

The four reforms targeted the transition from unemployment to work, for unemployment benefit and social assistance recipients, and from inactivity to work, notably disabled or people with health problems in Denmark, Lithuania and Germany.

3. Experience in the Member States (Peer Reviews)

3.1. Implementing a basic job seekers allowance (Germany)

On 17-18 April 2007 Germany hosted a Peer Review to inform 11 countries about its policy of "Implementing the new basic allowance for jobseekers", a measure also presented during the Thematic Review Seminar. The countries participating were Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Greece, Netherlands, Norway, and Sweden.

As of 1 January 2005, unemployment assistance and social assistance for persons capable of working have been merged into one benefit, the basic allowance for jobseekers (unemployment benefit II) which is a tax-financed, needs-based and means-tested public benefit. The main goal of the new single benefit system is to ensure a decent standard of living for all beneficiaries and to foster (re-)integration into working life through fast and targeted measures.

The contribution based jobseeker's allowance is paid – as beforehand – by the jobcentres as subsidiaries of the Federal Employment Agency (Bundesagentur für Arbeit). However, the new system of unemployment benefit II is implemented by two different organisations: The so-called joint agencies (Arbeitsgemeinschaften) of jobcentres and local municipalities (Kommunen) combine all services for the successful (re-)integration into employment (e.g. job placement services and social services). On the other hand, there are 69 accredited municipalities (Optionskommunen) who have been entitled to deliver all services on their own. The competition between these two approaches will end in 2010.

When it comes to the relationship between unemployment benefit and social assistance, the systems being in place in the peer countries can broadly be divided into three categories: In some peer countries there is a clear separation of the two systems, in others the relationship of the two is characterised more by overlapping and continuity. A third way is to grant virtually no social assistance, but high severance payment. In many peer countries the unification of the two benefit systems and/or the improvement of the cooperation between the often differing implementing authorities has been – or is now – under discussion.

Among the key points discussed during the Peer Review meeting were the best ways to integrate or re-integrate people into the labour market. Some peer countries primarily rely on activation and work fare, others focus on financial incentives for taking up work. A particular focus was placed on case management and the integration of people with a migrant background. There was also a debate on so-called 'Mini-jobs' and their (in-)capacity to provide a stepping stone into 'normal' employment, as well as on 'in work benefits'. One question raised in this context was whether paying subsidies was a consequence of or a reason for low wages. Also discussed were minimum income schemes and their effect on creating or destroying employment

3.2. Assisting disadvantaged groups (Malta)

On 10-11 May 2007, a Peer Review was held in Malta on the approach to integrating disadvantaged groups. The peer countries that participated in the review were Cyprus, Estonia, Finland, France, Greece, Latvia, Lithuania, the Netherlands, Norway, Romania and Slovenia.

Malta's PES is responsible for the labour market integration of disadvantaged groups. Disadvantaged groups include persons with disabilities, with mental health problems, current/ex-substance abusers, convicts/ex-convicts, illiterate persons, very long-term unemployed (more than 5 years), lone parents and youth in institutional care. Recently also third party nationals, including refugees and asylum seekers, are receiving growing attention.

The Maltese PES has a special 'Supported Employment Section' to better meet the specific needs of these groups. It has specialised personalised services at its disposal and applies the one-stop shop' principle. An important tool used is the 'Personal Action Plan', which is developed together with the client and 'Employment Training Placement Schemes' and 'On-line Training Schemes', providing subsidised pre- and on-the-job training. The target groups include clients with disabilities or mental health problems. The aim is to help them find 'real' jobs. To this end the PES has a 'Bridging the Gap Scheme' with a potential employer. A multidisciplinary team follows clients during eight weeks of work and assesses the work ability and specific needs of the clients. Afterwards, a combination of wage subsidies, job coaching and personal assistance is available to assist clients. Customised services are also offered to assist current/ex- substance abusers (e.g. needs-assessment, pre-training and placement to follow-up and support measures), convicts (training, placement and participation supported schemes in correctional facilities) and other target groups.

The subsequent discussions among peer countries proved that, although there are marked differences in welfare systems as well as economic and labour market framework conditions, there is a huge common ground, in large part due to the EES, concerning the shared principles of providing equal opportunities and the goal to promote active social inclusion. There might be national and regional differences in the composition of target groups, but the shared concern is to prevent and combat social exclusion by providing gainful jobs to those who are distant to the labour market. The debate focused on issues such as target-oriented approaches versus the mainstreaming of services, and how to stimulate the demand side, e.g. how to motivate businesses to employ disadvantaged persons. The effect on the shadow economy, quota of people with disabilities in companies and the importance of awareness rising has been subject of discussion as well.

3.3. Work and Social Assistance (the Netherlands)

On 4-5 June 2007, the Netherlands hosted a Peer Review on the new Work and social Assistance Act (WWB). The 12 countries that participated in the discussions were as follows: Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Latvia, Norway and Romania.

The Work and Social Assistance Act (WWB) came into force in 2004. Its aim was to increase labour market participation amongst social assistance recipients, thereby reducing benefit dependency and social protection costs, but also increasing social inclusion. Putting 'work first' is the key principle behind the reform. But rather than introducing incentives for social assistance recipients to apply this

principle, the Dutch reform targeted the bodies that implemented these benefits, the municipalities. Deregulation and decentralisation were means to stimulate municipalities to put more emphasis on labour market integration, alongside their benefit administering tasks. The state shifted more responsibilities for social assistance to the municipalities, which now not only have more freedom to develop their own policies, but also have more control over (devolved) budgets. The size of the devolved budget is calculated through a formula based on the expected volume of social assistance claimants in the local area, taking account of both demographic and local labour market characteristics. Municipalities can incur a surplus or a deficit on this budget depending on their success in their reintegration activities. The Act is, therefore, designed to provide a strong incentive for municipalities to reduce the number of social assistance benefit claimants, by introducing proactive measures to (re-) integrate them into the labour market and/or taking strict measures to enforce job-search or combat benefit fraud.

There was some concern over the devolution of responsibility to the municipalities, in cases where they might not have the resources to perform the tasks well enough. In some countries, it was argued that the municipalities would be far too small and inappropriately structured to take on this role effectively. Some participants questioned whether the approach would work in less favourable labour market conditions where employers have a greater choice of potential recruits. A key concern raised by participants was whether the early positive results from the reform represented the impact of 'quick wins', e.g. when municipalities are focusing on reducing the inflow and are re-integrating those in the 'stock' who are easiest to place. A crucial question for future evaluation relates to how successful the reform is in re-integrating the hard core of long term benefit recipients. Questions were also raised about the primary focus being on the reduction in social assistance claimants per se rather than on the number entering (stable) jobs, and it was noted that, for a significant proportion of those leaving benefits, their destination was unknown and it was not always clear that they had entered employment. This was also stressed as an important area for future evaluation.

4. Conclusions

During this semester's Mutual Learning Programme the ways to attract more people to the labour market have been discussed extensively. This has yielded examples and insights relating to the way such policies should be designed and the way to implement them. No summary will do justice to the many facets covered by discussions, but the following sections make an attempt.

4.1. With regard to the design of benefit systems and ALMPs

4.1.1. Lessons with regard to measures and tools for activation

With regard to the design of benefit systems and ALMPs already in place in the four countries discussed during the TRS a variety of provisions aimed at making benefit systems more employment-friendly' can be found. All countries deploy the more classical provisions such as job search requirements, sanctions in case of refusal to accept a job offer or participation in ALMPs and availability for work interviews. Denmark obliges benefit recipients to compulsory job search every week at the PES website and weekly on line reporting to the job centre. Tools that are of specific interest for the inclusion of new target groups include profiling (Denmark), individual action plans (Lithuania), integration contracts (Denmark and Germany), individual case management (Germany)

and mini-jobs (Slovenia). Of particular interest are also the socio-integrative measures applied in Germany, ranging from child care via support to overcome drug abuse to dept advisory service and psycho-social support.

In many cases, the policies discussed during the TRS and the Peer Reviews had not been evaluated or only to a limited degree. Participants do seem to agree however on a number of measures that are to be employed to attract more people to the labour market, notably those people with specific disadvantages. Besides on the job experience the following were mentioned repeatedly: training, the introduction of case workers, individual integration contracts between client and PES or the social protection implementing body, early profiling and a rapid activation offers, and incentives for employers to hire e.g. disabled persons.

4.1.2. To define target groups or not

The policies reviewed show the variety of target groups behind more general classifications such as long-term unemployed or disadvantaged groups: drug addicts, former convicts, people with mental health problems, migrants, travellers etc.¹ It also shows that Member States are already targeting various transitions from non-employment to work, including recipients of social assistance and disablement benefits. Many of the issues raised relate to this diversity. Tailor-made, personalised services are generally seen as a pre-requisite for successful policies for disadvantaged groups. In addition, the variety in background of such groups, seem to make specific policies, with packages of measures, for some of these groups desirable. At the same time the question was raised how well (concrete, precise) the target groups of policies are defined and whether there is not a risk of excluding groups of people, exactly because of an insistence on distinguishing different groups. A similar question concerns how ability to work is defined and who is involved in this definition; is the individual client involved or the client representatives? Obviously such definitions determine the inclusiveness of these policies. At some point the question can be raised about the duration of specific policies and when or under which conditions mainstreaming should be preferred.

4.1.3. The values behind activation

The questions in the previous paragraph touch upon what was termed in the French paper for the Malta meeting 'the normative foundations' of employment and social inclusion policies. In explaining the use of case workers in Germany, the German government representative referred to the 'paradigm shift' that had taken place, with far more emphasis on obligations for benefit recipients than had been the case hitherto. The debates accompanying some of the reforms suggest that in Member States there is perhaps less consensus about who is e.g. (not) supposed or not required to work than the guidelines Member States have agreed upon lead to expect. The reforms now going on Member States perhaps require a culture shift that has yet to reach all the intended beneficiaries and their social environment. Culture also plays a role as a context factor to be taken into account when discussing the transferability of measures. Examples encountered during the Peer Reviews are the role of the (extended) family in providing for its members and the participation in the informal economy.

¹ Women are sometimes mentioned as specific target groups and a couple of times attention was drawn to the fact that within target groups women are likely to encounter –even- more difficulties than men. The activation of women who stay at home to look after their children, but who do not receive income replacement benefits was not part of the policies reviewed.

4.1.4. The role of employers

A third set of issues that were mentioned in various Peer Review papers is the role of employers in labour market policies. Even in times of labour shortages, experience shows that employers are still reluctant to recruit people whom they –rightfully or wrongly- see as less productive or more likely to fail. Adaptation and innovation of employment measures should therefore also be addressed at the demand side of labour, an example being the provision of follow-up and support once a job seeker has been placed in a company. Integration through work exposure evolves from the discussions as one of most effective ways of preparing people for work, but it can only take place with the consent and support of employers. Finally, employers play an important role in the final outcome of employment policies in terms of level and duration of effects: they determine to a large extent whether jobs are the kind of jobs that prevent poverty and further social inclusion and how long these jobs will be held.

4.2. With regard to the implementation of benefit systems and ALMPs

4.2.1. Integration of income and employment services

The German and Danish examples presented were particularly interesting in view of the implementation of benefit systems and ALMPs. Both countries tried to create a form of integrated implementation. Since this year in Denmark several PES and local municipalities have started to jointly run new job centres, although final responsibilities for employment and benefits have remained with the respective partners. In a majority of Germany municipalities social assistance and employment services are provided by joint agencies. Experience in the two countries shows, that the provision of integrated services requires mutual adaptation of staff and considerable efforts regarding their (re)training.

Integrating the PES and social security implementing bodies seems to be advocated widely. In practice gaining the required co-operation proves difficult. The central thrust of the German expert's comments on the German reform was e.g. that the institutional pillar of the reform had not yet been realised. The resulting difficulties illustrate what is to be gained from a full-fledged integration. Instead of unified jobcentres in most municipalities services are provided by consortia made up of municipalities and local branches of the Federal Agency for Work. Their staff maintains their work relationship with the original organisation from which they have been seconded, often complicating joint management. Another issue is how many benefit systems should be included in this integrated approach. This does of course also depend on the use that is made of these benefits in the respective country. For some countries a substantial part of the target group for activation is found in health related benefits, for others unemployment benefits, and for again others social assistance recipients are the main target group for increasing the employment rate in their country.

4.2.2. Extension of the partnership

At various occasions attention was drawn to NGOs as partners in activation for specific groups. It was also debated whether PESs should aim to provide the specific services such groups require or whether the provision of such services should be left to the institutions currently responsible. This debate gave also rise to the question whether there should be a role for private services in this respect. On the one hand, involving more partners seems likely to increase the quality and thereby effectiveness of the

services provided because of the specialist knowledge and experience than can be obtained. On the other hand, the difficulties associated with managing partnerships clearly increase with the number of participants in the partnership.

Implementation issues within organisations

The organisations involved in bringing the target groups to the labour market are themselves also facing a fair amount of challenges. The examples of Malta and the Netherlands illustrate the kind of factors that play a role in making the day-to-day management of policies a success. According to the Maltese participants of the Maltese Peer Review the following factors were responsible for the success of their programme: a committed and motivated staff at the ETC, lower case loads for the employment adviser, empathy towards the disadvantaged clients at one hand and continuous updating about employers' expectations and labour market requirements at the other hand and close cooperation with NGOs and specialised organisations. The Dutch Peer Review concluded that central to the future success of the Dutch WWB will be the ability of the municipalities to effectively run the system, which depends on many factors – including the ability to attract staff with sufficient expertise in management and implementation, as well as the ability of the local labour markets to absorb those leaving social assistance and moving into a job.

4.3. Final observations

4.3.1. A new approach?

The presentations and discussions during the semester do not yield a blueprint for attracting more people to the labour market. However, many useful ideas and suggestions have been mentioned in this report already and can be found in much more detail in the original papers prepared for the TRS and the individual Peer Reviews. During the TRS two overall approaches were suggested; the economic and the capabilities approach. It is difficult to assess the character of the reforms in terms of the approaches distinguished at the beginning of the seminar, but it would seem that the economic approach still plays a major role, with elements from the capabilities approach present in e.g. Denmark and Germany. The main outcome of the whole process, however, is clearly a call for an integral approach.

4.3.2. Labour market traps and the economic approach

The economic approach would seem more called for in situations where labour market traps, notably unemployment and low wage traps as described by Marjolein Peters during the TRS, are most likely to occur. Social assistance recipients are more likely to receive additional allowances that will no longer be available to them when they take up work (unemployment trap). People that are far removed from the labour market include many people who will take up lower paid work. Lone parents and disabled are more likely to take up part-time work, as a temporary or permanent step, and then find that working additional hours does not pay in net terms (low wage and unemployment trap).

4.3.3. Distance to the labour market and the capabilities approach

Several speakers during the TRS brought to mind that for groups far removed from the labour market (social assistance recipients, partly disabled, women with full-time care responsibilities) other considerations than the rational one assumed by policy makers play an important role: fear of 'not making it' in a job and having nothing to fall back on, inability to meet the social and communication requirements in a professional environment, incapacity to perform the tasks required in the expected manner. In those situations, the traditional financial incentives fail to perform their expected role. For them, the second approach seems more promising.

4.3.4. The integral approach

A recurring theme throughout this semester has been a plea for adopting a broad, integral approach to activation. This integral approach applies to the alignment or combination of employment and social inclusion called for during the TRS. It concerns the review and reform of both the design and implementation of benefits and ALMPs. It also refers to the variety of potential target groups, as well as variety of benefits that are concerned. The broad and integral approach is also reflected in the wide-ranging group of actors that need to be involved: PESs, social protection implementing bodies, social partners, NGO's. And finally, the need for an integral approach also stretches out to the context in which activation takes place: the need to take into account context factors such as taxation systems, minimum wages and quality of jobs.

References

Papers of the Thematic Review seminar "Modernising and activating benefit and social protection systems to promote employment", Brussels, 28th March 2007, can be found under:

<http://www.mutual-learning-employment.net/Modernisingandactivatingbenefitandsocialprotectionsystemstopromoteemployment>

Papers of the Peer Review "Implementing the new basic allowance for job seekers in Germany", Berlin, 17/18 April 2007, can be found under:

[http://www.mutual-learning-employment.net/stories/storyReader\\$200](http://www.mutual-learning-employment.net/stories/storyReader$200)

Papers of the Peer Review "Assisting the disadvantaged groups", St. Julians/Malta, 10/11 May 2007, can be found under:

<http://www.mutual-learning-employment.net/AssistingtheDisadvantagedGroups>

Papers of the Peer Review "The new work and social assistance act", The Hague, 4/5 June 2007, can be found under:

[http://www.mutual-learning-employment.net/TheNewWorkandSocialAssistanceAct\(WWB\)](http://www.mutual-learning-employment.net/TheNewWorkandSocialAssistanceAct(WWB))