

Public-service employment programs in selected OECD countries

Public-service employment programs play an important role in many OECD countries; they may be the only effective way to aid those among the long-term unemployed who are less skilled and less well educated

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The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 transformed the U.S. welfare system into a work-based one. The Act requires most recipients to either find work or lose welfare benefits after not more than 2 consecutive years on welfare. Many former welfare recipients are finding jobs in the private sector; one study of nine States found that between 50 percent and 70 percent of former welfare recipients are working.¹ However, a number of experts have highlighted two potential problems: the low employability of those remaining on welfare and the negative impact of an economic downturn on the ability of many welfare recipients to find jobs. An article in one publication asks whether today's welfare success could be tomorrow's crisis and expresses concern as to what will happen to former welfare recipients when the jobs dry up and the safety net provides limited support for the jobless poor.²

The possibility of a future job crisis for those coming off of welfare has prompted numerous researchers to examine the job creation potential of public-service employment programs.³ Researchers at the Jerome Levy Economics Institute of Bard College suggest establishing a program whereby the Federal Government would "buy" all unemployed labor at a fixed wage and "sell" it—that is, allow the program's labor force to be reduced—when the private sector needs labor and offers those workers a higher wage.⁴ The Center on Budget and Policy Priorities in Washington, DC, examined public-service employment initiatives in a num-

ber of States and cities and developed a checklist to help guide community leaders preparing to launch new public job creation initiatives.⁵ And in a study of public-service employment in the United States, researchers from the Kennedy School of Government of Harvard University concluded that "public service employment and mandatory work programs can provide a legitimate way out of the dilemmas one faces when jobs are scarce but the public and policymakers want to insist on work."⁶

While recent U.S. experience with large-scale Federal public-service employment programs is limited (the last significant effort toward that end was the Comprehensive Employment and Training Act (CETA) program in the 1970s and early 1980s⁷), a number of countries from the Organization for Economic Cooperation and Development (OECD) have maintained such programs as an important labor market policy tool over the past two decades. This article examines trends in public-service employment programs in several European countries in which programs of that nature continue to be, or in the past few years have become, one of the main labor market tools for moving the long-term unemployed into employment.

Recent U.S. experience

With the enactment of the 1996 Act, public-service employment programs have increased their

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numbers in the United States. Welfare reform has permitted States to use their Temporary Assistance for Needy Families block grants to create wage-paying, publicly funded jobs for individuals who meet State-stipulated eligibility requirements. In addition, the new Federal welfare-to-work grants program, administered by the Department of Labor, can be used to fund public-service employment programs to help move longer term welfare recipients into unsubsidized employment. While a number of States are experimenting with various forms of public-service employment, their efforts have been limited.⁸ It has been estimated that every month 35,000 recipients of Temporary Assistance for Needy Families are employed in some form of public work, virtually all in New York and Wisconsin. The figure represents just over 1 percent of the more than 3 million families in the Temporary Assistance for Needy Families program as of June 1998.⁹

OECD experience

While the general trend over the past few years among some member countries of the OECD is away from public-service employment programs, such programs continue to be an important tool in helping countries assist the most disadvantaged elements of the labor market. The most recent OECD data show that the average OECD-wide expenditures on public-service employment programs as a percentage of gross domestic product (GDP) and as a percentage of all active labor market programs¹⁰ were 0.14 percent and 15.70 percent, respectively. (See table 1.) However, some OECD countries place a greater emphasis on public-service employment than do others. Belgium, Denmark, Finland,¹¹ France, Germany, Ireland, the Netherlands, and Sweden have consistently devoted a large share of their GDP and their labor market program budget to public-service employment programs. Until 1994, Switzerland's program was minimal, but in recent years it has steadily increased, and it now accounts for a major share of the country's active labor market programs. (See table 2.)¹² Spending on public-service employment programs in these nine countries averages 0.29 percent of GDP and 22 percent of expenditures on active labor market programs. By way of comparison with the U.S. experience, at its peak, in fiscal year 1979, CETA expenditures on public-service employment (the Title II/IIID and Title VI programs) amounted to approximately 0.23 percent of GDP and accounted for more than one-half of the entire CETA budget.¹³ If every unemployed person in the United States were provided with a job paying the minimum wage in 1999, the total annual cost spent on public-service employment would be about 0.64 percent of GDP. That is a good deal less than the relative amount Belgium spent on its program in 1985 and only a little more than it spent in 1996 and thereafter.

A review of the literature evaluating these countries' programs shows that, while public-service employment programs have not been effective in reducing the general level of adult

unemployment, they appear to help severely disadvantaged labor market groups stay economically active, and they can be effective as part of an overall strategy against social exclusion.¹⁴ An examination of labor market policy in Belgium and the Netherlands provides a good perspective on both the contributions and the limitations of such programs.

Of the nine OECD countries relying most heavily on public-service employment programs, Belgium has consistently had one of the highest unemployment rates (see table 3), while at the same time devoting a higher percentage of its GDP and active labor market program resources to public-service employment (see table 1). The Netherlands similarly had a relatively high unemployment rate in 1985, yet its relative public-service employment expenditure that year was barely one-twentieth that of Belgium. Today, the Netherlands has the lowest unemployment rate of the countries examined in this article, while its resources devoted to public-service employment programs increased from 0.04 percent of GDP in 1985 to 0.43 percent in 1999. Most analysts attribute the improvement in the Dutch labor market to wage restraint and the widespread creation of part-time jobs;¹⁵ analysts attribute Belgium's continuing high unemployment rate to an inflexible wage formation process, high nonwage labor costs, and high levels of employment protection.¹⁶ Neither country relies on public-service employment programs as its primary mechanism to influence the unemployment rate. Instead, both Belgium and the Netherlands use such programs to address the related problems of a high incidence of long-term unemployment and low employment rates. In 1999, long-term unemployment (that is, for a period of more than 12 months) as a percentage of the unemployment rate measured 60.5 percent in Belgium and 43.5 percent in the Netherlands,¹⁷ while the employment rate (in full-time equivalents) remained low in both countries, by OECD standards: 59 percent in Belgium and 57 percent in the Netherlands.¹⁸ Both of these problems result from the slow outflow of prospective workers from unemployment and social welfare programs, and together they are known as the "stock aspect" of the unemployment problem. One explanation for the existence of this phenomenon is the long duration of unemployment insurance benefits. In Belgium, workers can receive benefits indefinitely, and in the Netherlands, workers can receive them for up to 5 years. Moreover, those 57½ years of age are entitled to receive benefits until they retire. Not surprisingly, both Belgium's and the Netherlands' share of GDP devoted to passive labor market programs, primarily unemployment insurance benefits, is very large—indeed, double the OECD average. (See table 1.) Both countries use transitional jobs in the public sector as an alternative to continued dependence on income transfers.

In recent years, a number of countries have introduced new initiatives aimed at moving the long-term unemployed into jobs through public-service employment programs. For example, a major goal of Germany's 1998 Alliance for Jobs

Strategy is twofold: (1) to prevent a buildup in long-term unemployment by opening up job creation programs for those who have been unemployed for at least 6 months, rather than 12 months, and (2) to place greater emphasis on job creation measures carried out within the public sector. Belgium introduced two new programs in 1998: the Progression to Work program and the “Smet” jobs program, a Federal measure designed to employ recipients of unemployment benefits or social assistance in newly created jobs in the private sector. In both, the worker continues to receive an unemployment benefit or social assistance payment while working in a subsidized job. Other new activation initiatives with public-service employment components include Denmark’s Labor Market Reform of 1998, which requires earlier “activation” of

the long-term unemployed through training or actual public-service employment, Finland’s new combination jobs subsidy, which provides, among other things, labor market support plus an employment subsidy, and France’s New Start program, which targets those threatened with labor market exclusion and refers them to labor market services, including public-service employment programs. Ireland’s direct job creation programs have almost tripled between 1991 and the present. The Netherlands’ Offer for All Strategy offers training, work experience, or jobs within the first year of unemployment, and Sweden’s new Public Temporary Employment program and Resource Jobs program provide jobs in the public sector. Switzerland’s public-service employment programs grew from 0.00 percent of GDP in 1985 to 0.19 percent in 1999. (See

Table 1. OECD countries’ expenditures for public-service employment programs, active labor market measures, and passive labor market measures

[In percent]

OECD countries ¹	Public service employment as a percent of GDP	Active measures ² as a percent of GDP	Public service employment as a percent of active measures ²	Passive measures ³ as a percent of GDP
Average	0.14	0.80	15.70	1.25
Australia .....	.06	.49	12	1.12
Austria .....	.03	.52	6	1.20
Belgium .....	.47	1.34	35	2.51
Canada .....	.05	.51	11	.99
Czech Republic .....	.03	.19	15	.31
Denmark .....	.19	1.77	12	3.12
Finland .....	.19	1.22	24	2.33
France .....	.19	1.33	14	1.80
Germany .....	.33	1.30	25	2.12
Greece .....	.00	.35	0	.50
Hungary .....	.13	.40	32	.58
Ireland .....	.63	1.66	38	2.42
Italy .....	.06	1.10	5	.64
Japan .....	.00	.09	0	.52
Korea .....	.21	.49	43	.19
Luxembourg .....	.00	.30	0	.67
Mexico .....	.04	.08	50	.0
Netherlands .....	.43	1.80	24	2.81
New Zealand .....	.03	.62	5	1.57
Norway .....	.00	.82	0	.47
Poland .....	.06	.49	12	1.71
Portugal .....	.05	.85	6	.89
Spain .....	.09	.81	11	1.41
Sweden .....	.21	1.84	11	1.70
Switzerland .....	.19	.70	27	1.07
United Kingdom .....	.00	.37	0	.82
United States .....	.01	.17	6	.25

¹ Excluding Iceland and Turkey.

² Active measures include public employment services, labor market training, youth employment and training measures, subsidized employment, and employment programs for the disabled.

³ Passive measures include unemployment compensation and payments for early retirement due to labor market measures.

Note: Countries discussed in this article, as well as average figures for

those countries, are in boldface type. Portugal spent 0.05 percent of GDP for public-service employment in 1997, but the country’s expenditures for active labor market measures are not available. Consequently, for comparison purposes, the 0.03 percent the country spent in 1996 is used.

SOURCE: OECD *Employment Outlook*, June 2000, “Statistical annex,” table H, “Public expenditure and participant inflows in labor market programs in OECD countries.”

Table 2. Direct job creation programs in the public sector, selected OECD countries, 1985 and 1996-99

Country	Expenditures as a percent of gross domestic product					Expenditures as a percent of active labor market measures ¹				
	1985	1996	1997	1998	1999	1985	1996	1997	1998	1999
Belgium	0.79	0.56	0.48	0.47	—	58	38	39	35	—
Denmark	² .18	.20	.22	.21	.19	16	11	13	13	11
Finland .....	.38	.53	.40	.30	.19	41	31	26	22	16
France .....	.00	.22	.19	.19	—	0	16	14	14	—
Germany .....	.12	.32	.26	.32	.33	15	22	21	25	25
Ireland .....	.09	.63	—	—	—	6	38	—	—	—
Netherlands .....	.04	.12	.19	.39	.43	3	8	12	22	24
Sweden	² .35	.43	.44	.39	.21	15	18	22	20	11
Switzerland .....	.00	.16	.22	.19	—	0	29	29	27	—

¹ Active labor market measures include public employment services, labor market training, youth employment and training measures, subsidized employment, and employment programs for the disabled.

² 1986 figure.

NOTE: Dash indicates data not available.

SOURCE: *OECD Employment Outlook*, 1992 and 2000; from OECD database on labor market programs.

table 2.) These efforts have been supported by a number of international initiatives, such as the European Union's Experimental Action-Research and Project program to combat long-term unemployment, the European Social Fund's program to facilitate the reintegration of the long-term unemployed into the labor market, and the National Action Plans that have been developed as part of an effort to implement the European Employment Strategy.¹⁹ The remainder of the article examines trends in public-service employment programs in the aforementioned countries.

Guaranteed-employment programs

Large-scale national job creation programs that guarantee either temporary or permanent employment have been an important labor market tool within OECD countries for many years. While many of the countercyclical types of programs of the 1980s were scaled down or abolished, those targeted on the long-term unemployed have remained. For the most part, early efforts to address the problem of long-term unemployment through public-service employment programs have proved unsuccessful. Participants seldom learned marketable skills and rarely moved on to jobs in the private sector.

Among the programs that were abolished or scaled back, Denmark's Job Offer program of 1977, which guaranteed 7 months of subsidized work in the public sector to those who had been receiving unemployment benefits for 2½ years, was abolished in 1994. Less than half of all people participating in Job Offer found regular (that is, unsubsidized) jobs afterwards, and a pattern of repeated circulation between long periods of

receiving benefits and shorter periods of performing subsidized work emerged.²⁰ Finland's 1987 Program of Guaranteed Employment sought to employ all of the long-term unemployed (that is, those unemployed for more than 12 months in the previous 2 years). The program had to be scrapped when unemployment skyrocketed from 3.4 percent in 1990 to 17.7 percent in 1993 and it became impossible to marshal the financial and administrative commitments associated with the job guarantee the program offered.²¹ Ireland's early efforts to move workers from public-service employment programs into the private sector were not particularly successful. A survey of the old Social Employment Scheme, introduced in early 1985, found that only 18 percent of the participants were employed 18 months after completing the program.²² The Netherlands created Labor Pools in 1990 to serve as a job of last resort (for example, janitor, gardener, or streetcleaner) for jobseekers who had been unemployed for more than 3 years. The program offered permanent employment contracts to the unemployed, who were then hired out to public institutions. However, the program suffered from deadweight and substitution losses,²³ and few moved out of it. After the first 2 years, only 12 percent of program participants had terminated their contracts. This low percentage led the Netherlands to develop new public-service employment initiatives.²⁴ Sweden's longstanding (established 1933) Relief Works aimed at encouraging the demand for labor, primarily in public-sector services, by providing a job for a maximum of 6 months at the prevailing market wage rate. Such jobs could be arranged by central or local governments. Evaluations of this program showed little effect, or even a negative impact, on the ability

of participants to find permanent or temporary employment, and consequently, Relief Works jobs diminished in importance during the 1990s. The program is now used primarily to reestablish people's entitlement to unemployment insurance benefits.²⁵

Many other public-service employment programs continue today, even though their effectiveness has been questioned and they have often led to the proliferation of subsidized jobs with little movement of their participants into the regular labor market. Belgium's Third Sector of Employment program, introduced in 1982, created permanent jobs in the nonmarket sector to satisfy needs that otherwise would not have been met. These jobs proliferated, and by 1994, more than one-third of public expenditures on labor market programs were devoted to subsidizing 70,000 jobs in the public sector. Few ever left the program for jobs in the private sector.²⁶ In France, the main public-service employment program is the Community-work Contracts program, which provides part-time jobs in the public sector for a period of 12 months, renewable to 24 months or even 36 months for people facing particular labor market difficulties. Since the program began in 1990, participation has increased greatly. The program is used principally to make beneficiaries eligible once again for unemployment benefits. On average, barely 18 percent of participants had a job in the open labor market 1 year after leaving the program. An evaluation of the program produced the recommendation that it be scaled back and include only beneficiaries with a very low earnings potential.²⁷ Germany's large-

scale subsidized work program, called Support for Job Creation Measures and established in 1991, is reserved primarily for workers who have been unemployed for 6 months or more and is used to requalify them for unemployment benefits. Prior to reforming the program in 1997, little training was associated with it, and because the work that was offered could not compete with work offered by the private sector, jobs did not provide real-world experience for program participants. Consequently, the program was judged as being no more effective than unemployment insurance programs in bringing people back into the regular labor market.²⁸

The ineffectiveness of these programs has been attributed to a number of factors. First, those programs which guarantee a slot in a jobs program by a specific time, such as Finland's Program of Guaranteed Employment and Denmark's Job Offer program, seemed to reduce the incentive to look for a job and were thus unsustainable.²⁹ Second, public-service employment programs to satisfy public needs, such as the Third Sector of Employment program in Belgium, tended to proliferate, and the provision of jobs soon became accepted as a basic public service that could never be ended. Third, job creation programs that served mainly as a means for requalifying participants for unemployment insurance benefits (which was the chief aim in the majority of the programs examined thus far), resulted in the so-called carousel effect—the phenomenon whereby the long-term unemployed alternated between spells of receiving benefits and participating in the program.³⁰ Fourth, job creation programs with no supportive labor mar-

Table 3. Standardized unemployment rates and incidence of long-term unemployment in selected OECD countries, 1985 and 1996–99

Country	Standardized unemployment rate					Incidence of long-term unemployment ¹				
	1985	1996	1997	1998	1999	1985	1996	1997	1998	1999
Average, European OECD countries	—	10.5	10.3	9.7	9.2	—	47.6	48.0	47.0	45.8
Belgium	10.4	9.7	9.4	9.5	9.0	69.2	61.3	60.5	61.7	60.5
Denmark	—	6.8	5.6	5.2	5.2	38.5	26.5	27.2	26.9	20.5
Finland	6.0	14.6	12.7	11.4	10.3	21.1	34.5	29.8	27.5	29.6
France	10.1	12.4	12.3	11.9	11.3	46.8	39.5	41.2	44.1	40.3
Germany	³ 7.2	8.9	9.9	9.4	8.7	³ 47.9	47.8	50.1	52.6	51.7
Ireland	16.9	11.7	9.9	7.6	5.8	64.1	59.5	57.0	—	—
Netherlands	8.3	6.3	5.2	4.0	3.3	58.7	50.0	49.1	47.9	43.5
Sweden	² 2.9	9.6	9.9	8.3	7.2	11.4	30.1	33.4	33.5	—
Switzerland	—	3.9	4.2	3.5	—	—	25.0	28.5	34.8	39.8

¹ Unemployment for 12 or more months as a percentage of total unemployed.

² 1986 figure.

³ West Germany only.

NOTE: Dash indicates data not available.

SOURCES: OECD *Employment Outlook*, June 2000 and July 1989; OECD *Economic Outlook*, December 1999.

ket measures, such as job search assistance or training, often did not improve the employment prospects of the target population. The pre-1997 Support for Job Creation Measures program in Germany, Ireland's Social Employment Scheme, and Sweden's Relief Works program are good examples.

Improved programs

On the basis of the experiences recounted in the previous section, the countries in question have worked to strengthen public-service employment programs and their ability to move the unemployed or welfare recipients into the regular labor market. While many problems remain, these programs are becoming more flexible, more targeted to local needs, and better linked to other labor market services.

In pursuit of those ends, Belgium decentralized its employment policies, creating subregional employment committees. In an effort to strengthen the program's linkages to the regular labor market, a guidance plan, or *plan d'accompagnement*, is available to poorly skilled persons who have been unemployed for more than 10 months. The plan is followed by an offer of a job or vocational skills training. In addition, each municipality has to create a Network of Local Employment Agencies to register those unemployed for 3 or more years and to assign these persons to jobs not existing in the regular labor market (for example, household work, gardening, and caring for sick people), for up to a maximum of 45 hours a month. Some have criticized the program because it tends to keep participants unemployed and encourages them to settle into a culture of assistance. As a result, in 1998, the Network of Local Employment Agencies was modified so that its participants would receive an employment contract for an indefinite period and would obtain a wage instead of a supplementary allowance alongside their unemployment benefit entitlement. In 1996, 91,000, or 2 percent of the labor force, were registered in the program.³¹ Under the 1998 Labor Market Reform legislation, the public employment service became responsible for ensuring that "activation" offers enhance one's chance of finding a job in the regular labor market. As indicated earlier, Belgium introduced two new job creation programs that year. The Progression to Work program seeks to create additional jobs in the public and nonprofit sectors for the long-term unemployed, especially in cities suffering from high unemployment. The "Smet" jobs program creates service jobs in the private sector that would not ordinarily be created (for example, jobs to protect the environment) and that do not crowd out or substitute for other jobs. Under both programs, employment contracts run from 1 to 3 years. Where appropriate, supplementary training is provided to help the participant get back into the regular labor market.

Denmark's labor market reforms of 1993–94 gave regional labor market officials the authority to design and carry out programs in line with local needs. Programs to "activate" the

unemployed may take the form of either training or pool jobs. The latter are jobs created within the public service, including environmental protection, cultural activities, education, and social services. These jobs are limited to 3 years, and 90 percent of the cost of paying participants is refunded by the State. Wages are set to equal unemployment benefits. Denmark adopted new labor laws in December 1998 which stated that those 25 or older and unemployed for 12 of the previous 24 months have the right—indeed, the duty—to take part in active labor market programs. In addition, the public employment service became responsible for ensuring that its offers to the unemployed enhance their chance of getting regular employment. Denmark has also placed increased emphasis on tailoring the activities offered to the needs of the unemployed through an individual action plan.³²

Finland has shifted its focus of active labor market policies from subsidized jobs to training. However, public-service employment is still an important element of the country's labor market policy. Initiatives by the Government in early 1997 curtailed the possibility of a person's requalifying for unemployment insurance benefits through participation in subsidized job programs. Then, 1998 labor legislation focused subsidized employment on the needs of the long-term unemployed, rather than as an instrument for the country to respond to mass unemployment caused by economic recession. The legislation also introduced a new combination subsidy consisting of labor market support plus an employment subsidy. The support is payable to associations, households, local governments, and enterprises for a period of 12 months and is intended especially to promote employment opportunities in the service sector. In addition, jobseekers' skills are charted during regular, fixed-term interviews, and a jobseeking plan is developed.³³

Under France's National Action Plan For Employment, which began in October 1998, a New Start program was established. New Start makes use of existing mechanisms and increased resources to target those jobseekers threatened with exclusion from the labor market. The goal is to offer all such jobseekers a "new start" by 2002. Public-service employment, an important element under New Start, is promoted through two types of contracts: community-work contracts and consolidated-employment contracts. The community-work contract program, described earlier, has been reformulated to focus more on those facing the greatest labor market difficulties. In addition, any extension of the duration of a position received under that contract is now linked to skills training that will facilitate the jobholder's movement into the regular job market. The consolidated-employment contract program, which is targeted at those facing the greatest labor market difficulties, is being expanded within associations and local governmental bodies in order to meet unsatisfied community needs. The contract now includes vocational orientation measures, the recognition of acquired skills, and the drawing up of

a list of occupational skills. To implement these and other labor market programs, public employment service resources have been increased, with a focus on those facing the largest labor market obstacles. In 1999, the community-work contract accounted for approximately 425,000 jobs, while the consolidated-employment contract accounted for approximately 60,000 jobs.³⁴

Germany's 1997 law reforming the Labor Promotion Act provided for an increased emphasis on vocational training and on-the-job training in the Job Creation Measures program. Participants in the program can now spend 20 percent to 50 percent of their time on such activities. The objectives are to establish a more explicit bridge back into the normal labor market and to provide job search and reintegration services to participants. A major goal of the 1998 Alliance for Jobs Strategy is to prevent the buildup of long-term unemployment, and public-service employment programs have been opened for persons unemployed for at least 6 months rather than 12. In 1998, municipalities were given wide powers to set up job creation projects. The number of participants in eastern Germany increased from 177,000 in January 1998 to 442,000 in November of that year. In a review of the German economy, the OECD noted that these efforts to reduce the official unemployment rate run the risk of making the programs a permanent feature of the German economy, which would be detrimental to the development of the primary labor market. While the OECD supports efforts to move recipients of social assistance into the labor market, it warned that the new German initiative to encourage local governments to place those recipients in work may crowd out jobs in the primary labor market. Of the 700,000 beneficiaries of social assistance who were judged capable of working in 1997, local governments found or created work for some 200,000, of whom about a third were employed under the Job Creation Measures program.³⁵

In 1994, Ireland replaced its Social Employment Scheme and several other employment creation programs with the Community Employment program. This program provides some 40,000 part-time jobs (about 3 percent of total employment) in more than 3,000 projects sponsored by public-sector organizations or community groups. One-fourth of these jobs are reserved for persons older than 35 who have been unemployed for more than 3 years, and the remainder are for persons over the age of 21 who have been unemployed for more than 1 year. Participants have an annual contract that is renewable for up to 3 years and are paid an allowance set by the Government in place of unemployment benefits. The program has improved the job prospects of the long-term unemployed by providing 20 days of training, in addition to work experience, in those projects with more than 11 participants. In 1996, 36 percent of participants found jobs, while another 30 percent received further training. A subsequent evaluation of the program led to the recommendation that participants should get more training outside of working hours and should not

stay in the program indefinitely, as some have done in the past by taking a 6-month break after completing a session and then enrolling again.³⁶

The Netherlands shifted the responsibility for integrating the long-term unemployed into the labor market from the national Government to municipalities so as to be able to better provide services that are most necessary and to tailor those services to those who are in need of them. The 1996 program on Additional Employment for the Long-term Unemployed created 40,000 permanent new jobs, or "Melkert jobs," named after the Dutch minister of social affairs and employment. These jobs, which can be filled only by people who have been unemployed for more than a year, are aimed at increasing public safety, improving care for the disabled and the elderly, managing the environment, and providing services for groups such as the homeless or youths at risk. The jobs are concentrated in the areas of highest unemployment (especially the four largest cities), are 50 percent funded by money saved on benefit payments, pay minimum wages, and are for 32 hours a week (as opposed to the normal working time of 36 hours). In 1998, 20,000 additional "Melkert jobs" were created. Efforts are being made to integrate education and training into the program, give people working in the program priority when they apply for nonsubsidized jobs, and provide bonuses when workers leave the program. While there have been startup and implementation problems (for example, insufficient cooperation among institutions in charge of the programs and a lack of motivation on the part of participants or, even worse, their total unemployability), these jobs may be the only way left for some people to return to the labor market.³⁷ Complementing "Melkert jobs," the Jobseekers Integration Act of 1998 brought together a number of subsidized employment programs and gave local authorities more freedom to offer customized work in reintegrating the unemployed into the labor market through the promotion of socially useful activities for the lower skilled jobless. Almost three-quarters of the jobs created under the act were in the public sector or with nonprofit organizations, and only one-quarter were in the private-market sector. Employment contracts are offered that combine skills training with financial incentives to return to regular work or that provide a long-term program consisting of training, temporary placement in a job to gain work experience, and, finally, placement into a regular job. The number of employment contracts effected under the Jobseekers Integration Act is estimated to have been about 52,000 in 1998, a figure that is expected to rise to 56,000 in 2001.³⁸

Sweden introduced a new form of temporary work experience program in 1993 to keep the unemployed in contact with the labor market. This program, the Employment Development program (known in Sweden by its Swedish acronym, ALU), differs from Relief Works in a number of ways. Specifically, the work provided includes a training component, is usually carried out by nonprofit organizations (such as trade

unions and educational associations) and municipalities, and would not have been carried out without a subsidy.³⁹ Under the 1998 Resource Jobs program, public-sector employers provide positions for long-term jobless people, who may still collect unemployment benefits on the job. Participants receive benefits, and employers are allowed to supplement the amount of the benefits up to a maximum of 90 percent of the income on which the benefit is based. The duration of a person's participation in the program is 6 months, and 10 percent of the person's time is allocated to a job search. Another new program is Public Temporary Employment, which provides public-service employment for those unemployed persons over the age of 55. The goal is to utilize their skills to improve the quality of work in the public sector. In addition to these programs, the Government has increased public-employment-service resources in order to create individual action plans for those who are at risk of long-term unemployment.⁴⁰

As part of its unemployment insurance reform in 1997, Switzerland made the continued receipt of benefits conditional on participation in active labor market programs, primarily work experience programs. Of the 235,000 persons in active labor market programs in 1998, almost half, or approximately 8 percent of the total employed, were placed in temporary employment slots supplied by the public sector.⁴¹ While the opportunities for training in the early stages of this program were limited, in recent years the Government has placed an increased emphasis on training workers in public-service employment programs in order to assist them in integrating into private-sector jobs. To help implement the new system, a nationwide network of 150 regional placement offices was created. In addition, Switzerland ended the possibility of requalifying for new benefit entitlements through participation in temporary work experience programs.⁴²

Trends

The more recent public-service employment programs have become more effective for a number of reasons. First, rather than randomly placing long-term unemployed workers in such programs, countries are now assessing both the needs of the unemployed and the local labor market and then developing individual action plans. Negotiated between an unemployed worker and a public-service employment officer, the plans describe steps to be undertaken by both parties in order to move the unemployed worker to eventual employment in the private sector. For example, Belgium's plans call for guidance for poorly qualified long-term unemployed persons, followed by a job offer or training. Denmark requires that an action plan be drawn up for all those who are unemployed for 2 years, aimed specifically at getting them back into employment. France's New Start plan provides a "path" for the long-term unemployed that includes public-service employment, and Finland updates jobseeking plans after the duration of

unemployment reaches 500 days.

Second, and related to the first reason, countries are incorporating skills training and assistance with job searches into their public-service employment programs. For instance, Belgium provides supplementary training under its Progression to Work and "Smet Jobs" programs. Germany's 1997 reform encouraged training in its Job Creation Measures program. Ireland's Community Employment program has improved the job prospects of the long-term unemployed by providing 20 days of training. In the Netherlands, the Jobseekers Integration Act includes a training component in job contracts. Sweden's ALU program includes a skills-training component in public-sector jobs, and its Resource Jobs program allocates time for a job search. Recently, Switzerland's work experience program began placing a greater emphasis on providing training to workers in public-service employment programs.

Third, the role of the public employment service has increased in importance. Belgium, Denmark, France, Sweden, and Switzerland have all emphasized the role of the service in helping to ensure that public-service employment programs are but an intermediate stop on the way to employment in the regular labor market, and not the final destination. Finally, public-service employment efforts have become more locally based, as evidenced by Belgium's Network of Local Employment Agencies, the Netherlands' Jobseekers Integration Act, which provides local officials with more authority to offer work to the unemployed, and Sweden's efforts to give local authorities more freedom to develop projects under the ALU program.

Social enterprises

A number of countries are making increased use of small-scale local or community-based programs that are not entirely distinct from the programs described in the previous sections. These homegrown programs are aimed at generating employment in the "intermediate labor market" via special "reintegration enterprises," or "community businesses."⁴³ Sometimes referred to as "social enterprises," these structures are set up for the sole purpose of moving the long-term unemployed into the regular labor market. Their activity is conducted in the public interest, and their main objective is not to maximize profit, but to attain certain economic and social goals, such as the end to exclusion of the long-term unemployed from the labor market. For example, they may focus on developing new social services for individuals and families or on improving the environment. These kinds of social enterprises are an alternative to more traditional job creation programs, and preliminary data indicate that they have been highly effective in selecting and training disadvantaged workers and then integrating them into the regular labor market.⁴⁴

In Belgium, different types of social enterprise operate in each region of the country. In the Walloon region of southern

and southeastern Belgium, “training through work enterprises” and “work integration social enterprises” aim to reintegrate the unemployed into the labor market. In the western Flanders region, two types of enterprise are prominent: (1) social workshops provide employment to the most disadvantaged of the unemployed through economic activity in a sheltered environment (not to be confused with sheltered workshops for the disabled); (2) work integration enterprises are commercial establishments whose goal is to create lasting employment for disadvantaged groups in labor-intensive, “socially beneficial” activities. The “company with a social aim” became a new legal form of business on July 1, 1996.⁴⁵

France’s Insertion through Economic Activity program, which provides paid employment for those facing particular social and occupational difficulties, has existed for the past 20 years. By 1993, there were some 14,000 participants in temporary job creation and training programs in 560 reintegration companies.⁴⁶ A new law passed in July 1998 authorized the French public employment office to organize various “insertion pathways.” For example, under the Insertion Enterprises program, those belonging to disadvantaged groups are recruited to produce marketable goods and services under a fixed-term contract of up to 24 months. The contracts can be renewed twice. “Insertion enterprises” are exempted from paying the employer’s social security contribution for those persons approved by the public employment office. In addition, these enterprises receive a grant of 50,000 french francs (approximately \$7,000) per year to achieve their aims. Other programs are the School Workshops and Insertion Workshops, which provide work experience for persons with very low skills through activities focusing on care for the natural or urban environment.⁴⁷

The German Work Integration Social Enterprises (*Beschäftigungs und Qualifizierungsgesellschaften*, or BQG’s) program funds legally independent, not-for-profit organizations whose function is to provide a bridge for disadvantaged groups between unemployment and the regular labor market. Approximately 3,500 to 4,500 projects employ 75,000 to 95,000 participants. The *Gesellschaften zur Arbeitsförderung Beschäftigung und Strukturentwicklung* are “employment and structural development companies” that had their origin in 1991 in the former East Germany. They provide a bridging and training/retraining function for workers shed from State enterprises following reunification. By 1995, there were 400 companies with some 155,000 participants.⁴⁸

Ireland defines social enterprises as those companies, cooperatives, and associations that promote the social welfare. A number of Government bodies—primarily the Ministry of Health and the Enterprise and Employment Ministry—help to finance the social economy sector.⁴⁹ Recently, the Government decided to cut 5,000 places in its Community Employment program and shift the funds to more direct spending on a new “social economy” program.⁵⁰

In the Netherlands, local communities are cooperating with other organizations, such as welfare and volunteer organizations, in experiments aimed at stimulating participation in unpaid activities while people retain their social assistance benefits. The goals are to prevent and combat social exclusion by offering a work perspective to people for whom finding employment seems an almost impossible task. Another program allows municipalities to experiment with programs to provide socially useful employment-related activities for recipients of benefits. More than 160 experimental projects have been introduced in 25 cities. Municipalities have directly organized placements, worked with existing welfare and voluntary organizations, or created partnerships. The objectives of the experiments are to prepare people to return to work and to prevent social exclusion and isolation.⁵¹

Sweden also has utilized social enterprises as a means of ending long-term unemployment. The Swedish Cooperative Institute and the Swedish Institute for Social Economy examined the effect of the social economy on local employment. The results show a positive impact on job creation in many regions and lower rates of unemployment.⁵²

The benefits of the programs mentioned in this section are that they cost less, serve local communities’ needs better, provide work experience closer to the “real economy” than is typically the case in more traditional public-service employment programs, and often do a better job integrating skills training with work experience. The problem with such programs is that they are often small and serve a limited number of people. It is unclear what impact expanding them would have on their effectiveness.

THIS ARTICLE HAS REVIEWED PAST ATTEMPTS by selected OECD countries to develop public-service employment programs. Problems associated with the implementation of these programs have been identified and recent efforts to improve their effectiveness highlighted. Public-service employment programs continue to be an important component of labor market policy in many OECD countries. A panel of experts representing 11 OECD countries examined the effectiveness of measures to assist the long-term unemployed and concluded that the direct creation of jobs through public-service employment programs may be the only way to help many of the unskilled and less well-educated long-term unemployed.⁵³ A recent review of what works among active labor market programs reports that public-service employment programs appear to be making a comeback in some OECD countries, especially as part of a “reciprocal obligation” on the unemployed in return for continued social assistance benefits.⁵⁴ □

Notes

¹ Jack Tweedie and Dana Reichert, “Tracking Recipients After They Leave Welfare: Summaries of State Follow-up Studies,” National Conference of State Legislators, based on paper presented at conference of Ameri-

can Public Welfare Association and National Governors' Association, Falls Church, VA, Feb. 26–27, 1998.

² Aaron Bernstein, "Will Today's Welfare Success Be Tomorrow's Crisis," *Business Week*, Dec. 6, 1999.

³ The term "public-service employment" refers to the public funding of jobs in public or nonprofit agencies.

⁴ Dimitri B. Papadimitriou, *Full Employment Has Not Been Achieved*, report no. 53 (Annandale-on-Hudson, NY, The Jerome Levy Economics Institute of Bard College, 1999); on the Internet at <http://www.levy.org/>.

⁵ Clifford M. Johnson, *Checklist for Identifying Quality Work Sites for Public Job Creation Programs* (Washington, DC, Center on Budget and Policy Priorities, 1999); on the Internet at <http://www.cbpp.org/12-23-99wtw.htm>.

⁶ David T. Elwood and Elisabeth D. Welty, *Public Service Employment and Mandatory Work: A Policy Whose Time Has Come and Gone and Come Again?* (Cambridge, MA, Harvard University, Kennedy School of Government, Mar. 6, 1999); on the Internet at <http://www.jcpr.org/wpfiles/elwood-welty.pdf>.

⁷ Evidence regarding outcomes of CETA's public-service employment program was mixed, and throughout the effort, the local delivery of Federal public-service employment was beset with administrative problems. (See Robert F. Cook, Charles F. Adams, and V. Lane Rawlings, *Public Service Employment, the Experience of a Decade* (Kalamazoo, MI, W. E. Upjohn Institute for Employment, 1985).) As a result, since those findings, U.S. policymakers have not given serious consideration to reintroducing large-scale Federal public-service employment as a tool to combat economic recessions.

⁸ See Robert Rector, "Wisconsin's Welfare Miracle," *Policy Review*, March–April 1997 (on the Internet at <http://www.policyreview.com/mar97/rector.html>), for a good description of the unique way in which that State is using public-service employment to get people into full-time work.

⁹ Elwood and Welty, *Public Service Employment and Mandatory Work*.

¹⁰ All active labor market programs include public-employment services, labor market training, youth employment and training measures, subsidized employment, and employment programs for the disabled.

¹¹ While subsidized public-service employment has been one of the primary tools for getting the long-term unemployed back to work in Finland, the current view is that *too much* emphasis has been placed on it. Although expenditures continue to be high compared with those of other OECD countries, public-service employment has been scaled back in recent years. See "Active and Passive Labor Market Policies in Finland," *Employment Observatory, Trends*, no. 28, summer 1997, pp. 62–65.

¹² Although Korea currently devotes considerable resources to public-service employment, it had no such programs until 1998; for that reason, Korea is not examined in this article.

¹³ The U.S. Department of Labor fiscal-year 1983 budget document reports that in 1979 the budget authorized \$2.5 billion for Title II/IIID public-service employment and \$3.4 billion for Title VI temporary employment assistance.

¹⁴ John Martin, "What Works Among Active Labour Market Policies: Evidence From OECD Countries' Experiences," *OECD Economic Studies*, no. 30 (Paris, Organization for Economic Cooperation and Development, 2000).

¹⁵ Gunther Schmid, "The Dutch Employment Miracle? A Comparison of the Employment Systems in the Netherlands and Germany," *Employment Observatory, MISEP Policies*, no. 59, autumn 1997, pp. 23–31.

¹⁶ *Economic Survey of Belgium* (Paris, Organization for Economic Cooperation and Development, 1997).

¹⁷ *Employment Outlook* (Paris, Organization for Economic Cooperation and Development, 2000).

¹⁸ *Economic Survey of Netherlands* (Paris, Organization for Economic Cooperation and Development, 2000).

¹⁹ *Employment in Europe, 1999* (Brussels, European Commission, 1999).

²⁰ *The Public Employment Service: Denmark, Finland, Italy* (Paris, Organization for Economic Cooperation and Development, 1996).

²¹ *Social Assistance Programs in Australia, Finland, Sweden and the United Kingdom* (Paris, Organization for Economic Cooperation and Development, 1996).

²² *Economic Survey of Ireland* (Paris, Organization for Economic Cooperation and Development, 1997).

²³ "Deadweight" means that the job would have been created, regardless of whether the program existed. "Substitution" means that the program participant was selected for the job in place of someone who did not participate in the program.

²⁴ *Economic Survey of the Netherlands* (Paris, Organization for Economic Cooperation and Development, 1998).

²⁵ Nigel Meager, with Ceri Evans, *The Evaluation of Active Labor Market Measures for the Long-term Unemployed* (Geneva, International Labor Office, 1998); on the Internet at <http://www.ilo.org/public/english/employment/strat/publ/etp16.htm>. See also Anders Forslund and Alan B. Krueger, *An Evaluation of the Swedish Active Labor Market Policy: New and Received Wisdom*, Working Paper No. 4802 (Cambridge, MA, National Bureau of Economic Research, July 1994).

²⁶ *The Public Employment Service: Belgium* (Paris, Organization for Economic Cooperation and Development, 1997).

²⁷ *Economic Survey of France* (Paris, Organization for Economic Cooperation and Development, 1997).

²⁸ Meager with Evans, *Evaluation of Active Labor Market Measures*.

²⁹ Lars Calmfors, "Active Labor Market Policies and Unemployment—A Framework for the Analysis of Crucial Design Features," *Labor Market and Social Policies Occasional Paper No. 15* (Paris, Organization for Economic Cooperation and Development, 1994).

³⁰ Martin, "What Works Among Active Labour Market Policies."

³¹ "Active and Passive Labor Market Policies in Belgium," *Employment Observatory, MISEP SYSDM Trends*, European Commission, Berlin, no. 28, summer 1997, pp. 10–14.

³² "Third Phase of the Danish Labor Market Reform," *Employment Observatory, MISEP Policies*, European Commission, Berlin, no. 65, spring 1999.

³³ "Reforming Employment Office Services, Finland," *Employment Observatory, MISEP Policies*, European Commission, Berlin, no. 61, spring 1998. See also *National Action Plan for Employment, Finland* (Berlin, European Union, 1998); on the Internet at http://www.ias-berlin.de/ias/links/links_en.htm.

³⁴ "The Struggle Against Exclusion: Employment Promotion Measures," *Employment Observatory, MISEP Policies*, European Commission, Berlin, autumn 1998, no. 63. See also "France—National Action Plan for Employment," *Employment Observatory, MISEP Policies*, European Commission, Berlin, spring 1999, no. 65.

³⁵ *Economic Survey of Germany* (Paris, Organization for Economic Co-

operation and Development, 1998).

³⁶ *Economic Survey of Ireland* (Paris, Organization for Economic Cooperation and Development, 1999).

³⁷ *Economic Survey of the Netherlands*.

³⁸ *The Local Dimension of Welfare to Work: An International Survey* (Paris, Organization for Economic Cooperation and Development, 1999).

³⁹ *The Public Employment Service: Austria, Germany, Sweden* (Paris, Organization for Economic Cooperation and Development, 1996).

⁴⁰ *National Action Plan for Employment, Sweden* (Berlin, European Union, 1998, 1999); on the Internet at http://www.ias-berlin.de/ias/links/links_en.htm.

⁴¹ The legal requirement that the activities of workers in subsidized temporary employment programs not compete with the primary labor market is the chief reason for the large number of workers participating in public-service employment programs.

⁴² *Economic Survey of Switzerland* (Paris, Organization for Economic Cooperation and Development, 1999).

⁴³ Meager with Evans, *Evaluation of Active Labor Market Measures*.

⁴⁴ *Social Enterprises* (Paris, Organization for Economic Cooperation and Development, 1999).

⁴⁵ *Ibid.*

⁴⁶ Meager with Evans, *Evaluation of Active Labor Market Measures*.

⁴⁷ "France—National Action Plan for Employment."

⁴⁸ Meager with Evans, *Evaluation of Active Labor Market Measures*.

⁴⁹ *Social Enterprises*.

⁵⁰ *Survey of Ireland*.

⁵¹ "France—National Action Plan for Employment."

⁵² *Social Enterprises*.

⁵³ "The Long-term Unemployed and Measures to Assist Them," *Labor Market and Social Policy Occasional Paper No. 7* (Paris, Organization for Economic Cooperation and Development, 1992).

⁵⁴ Martin, "What Works Among Active Labour Market Policies."