

Active Employment Policies for all and Formation

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Definition

- **Active labour market policies (ALMPs)** aim to improve employment outcomes, lower inactivity rates and decrease benefit dependency rates. Furthermore ALMPs also aim to increase the quality and productivity of jobs and strengthen social cohesion.
- The main objective of **passive labour market policies (PLMPs)** is to provide income support to unemployed people or early retirees.

(European Commission).

Measures

Active labour market policies

- Labour market services
- Training
- Job rotation – job sharing
- Short-time work arrangements
- Employment incentives
- Integration of the disabled
- Direct job creation
- Start-up incentives

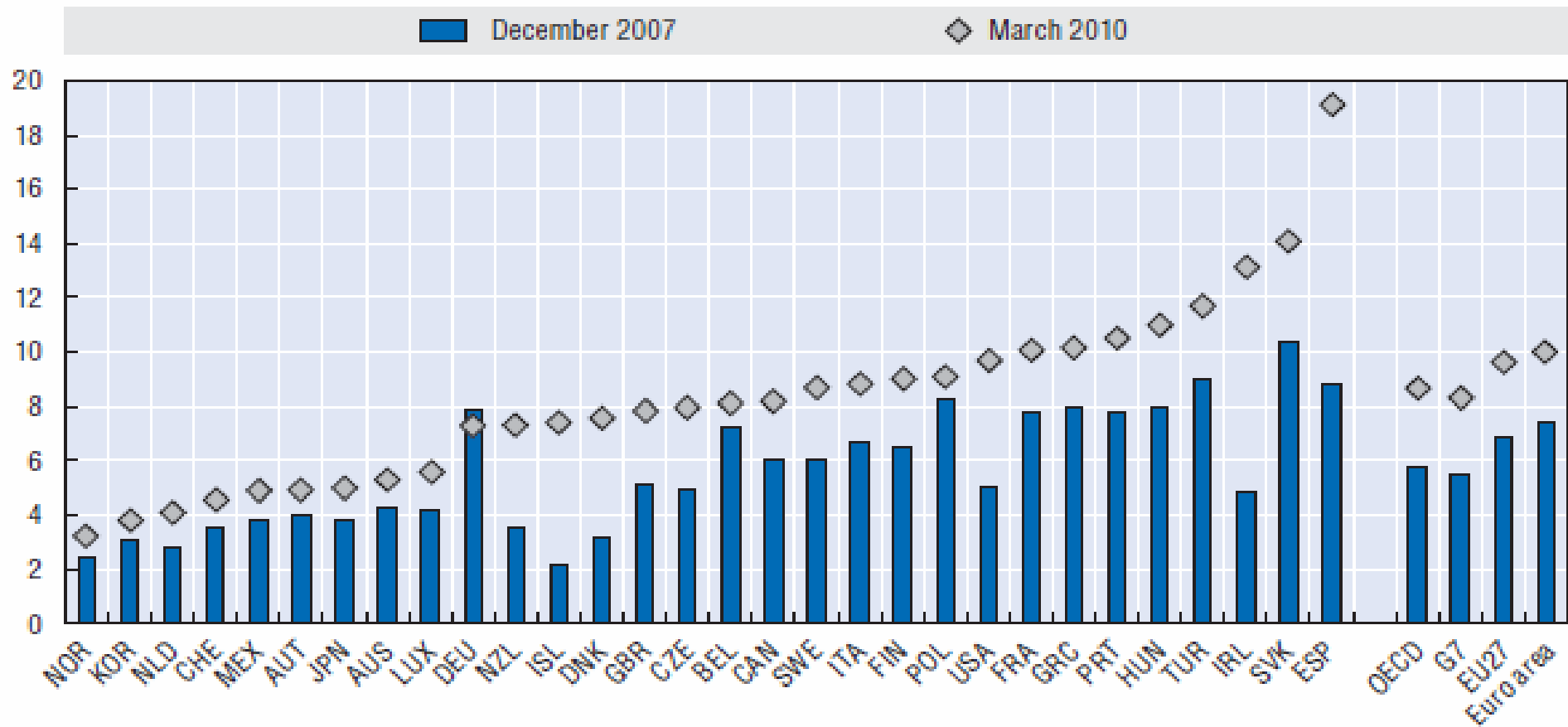
Passive labour market policies

- Unemployment benefits
- Early retirement schemes

Funtioning of measures

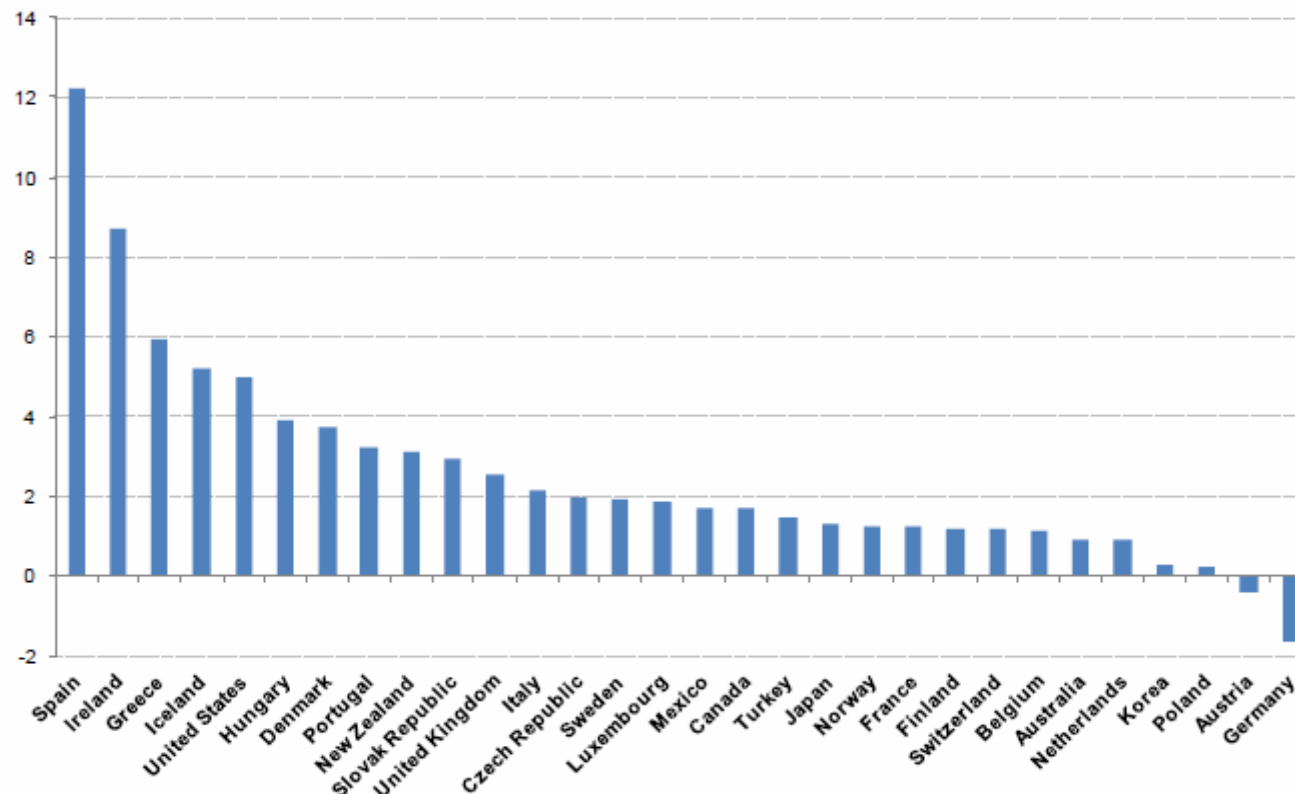
- Supply-side oriented: training
- Demand-side oriented: direct job creation
- Target groups: by age, duration of unemployment, education etc.
- Permanent (job search assistance) or temporarily (temporary wage subsidies)
- ALMPs are complementary to macroeconomic policies (fiscal, monetary, wage policies)
- Cyclical – structural problems

Unemployment rates, December 2007 to March 2010



The increase in unemployment rates following the crisis

(2007Q3-2010Q4, change in percentage points)¹

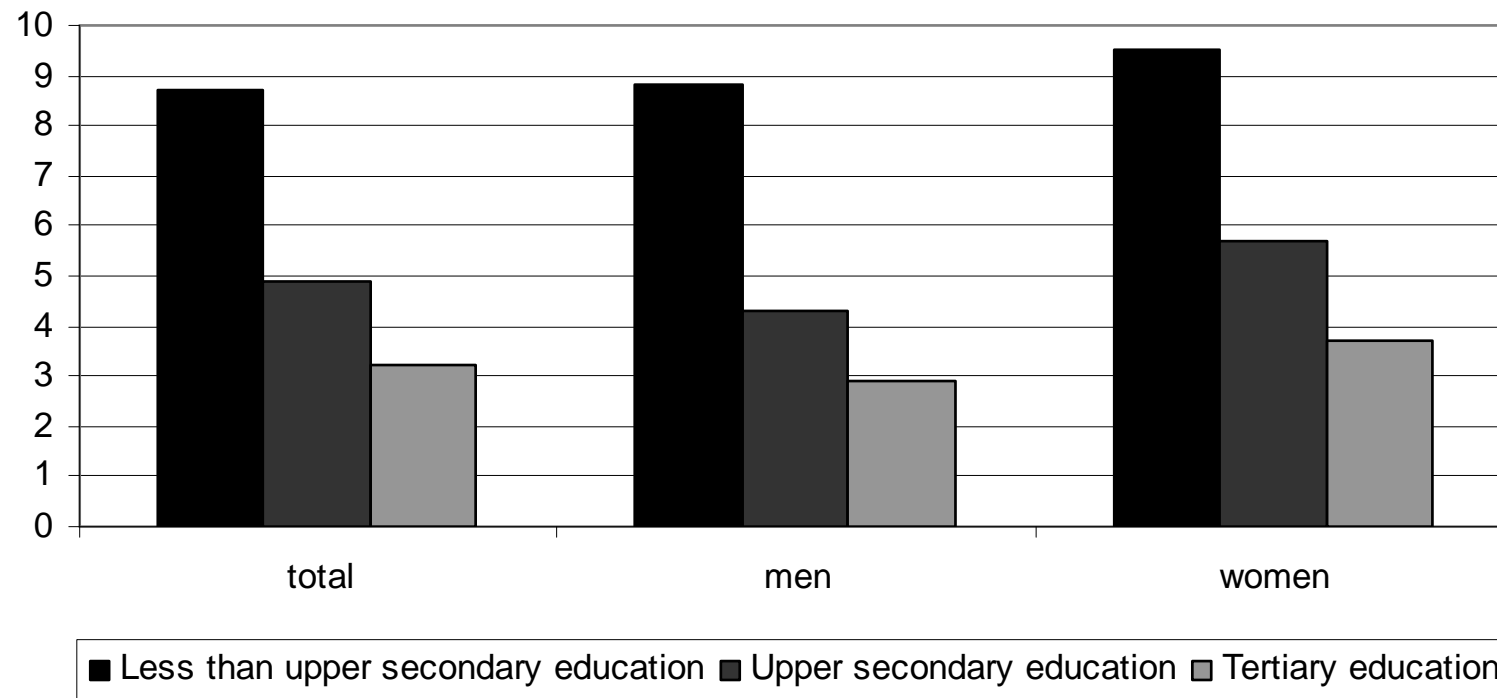


1. Except Ireland, Italy, Mexico, Switzerland and Turkey: 2007Q3-2010Q3

Source: OECD, Analytical Data Base.

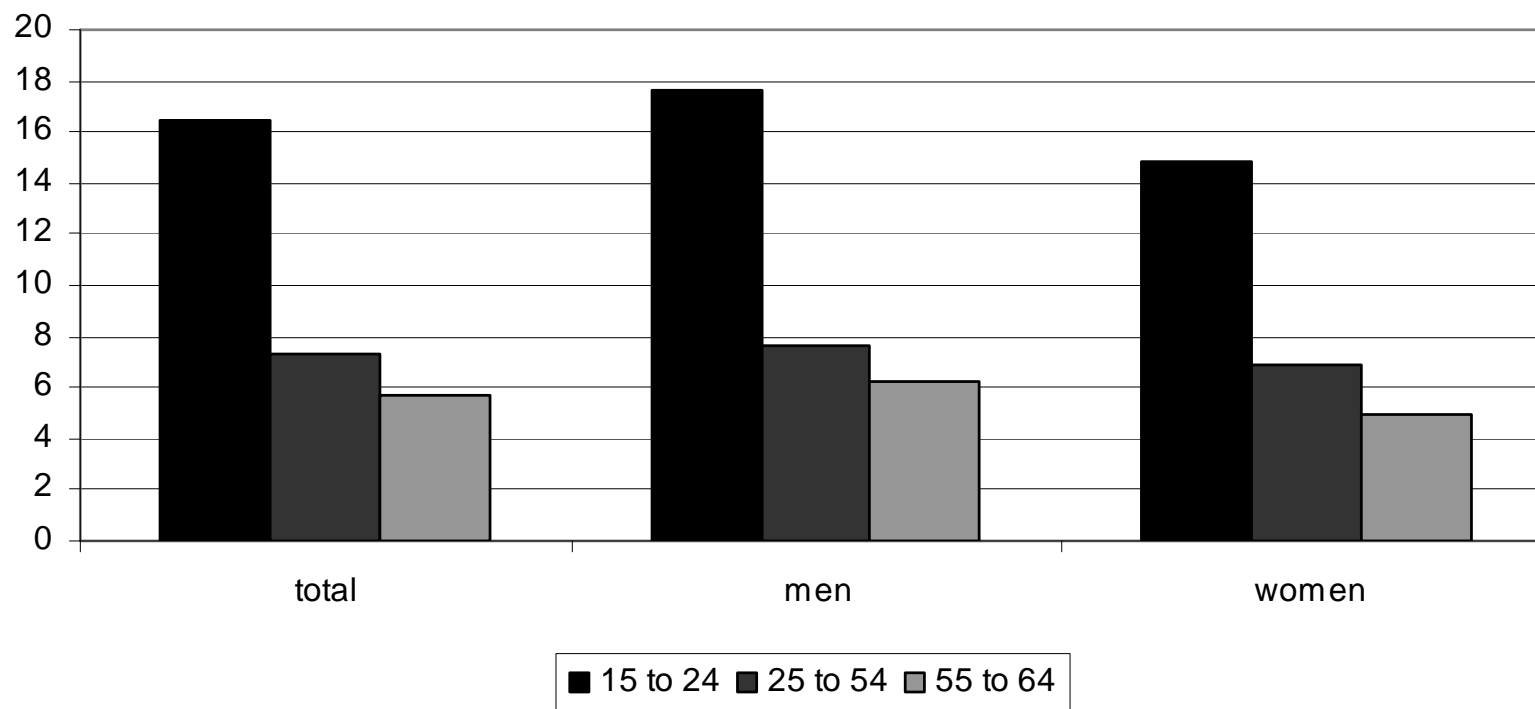
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Unemployment rates by educational attainment, 2009



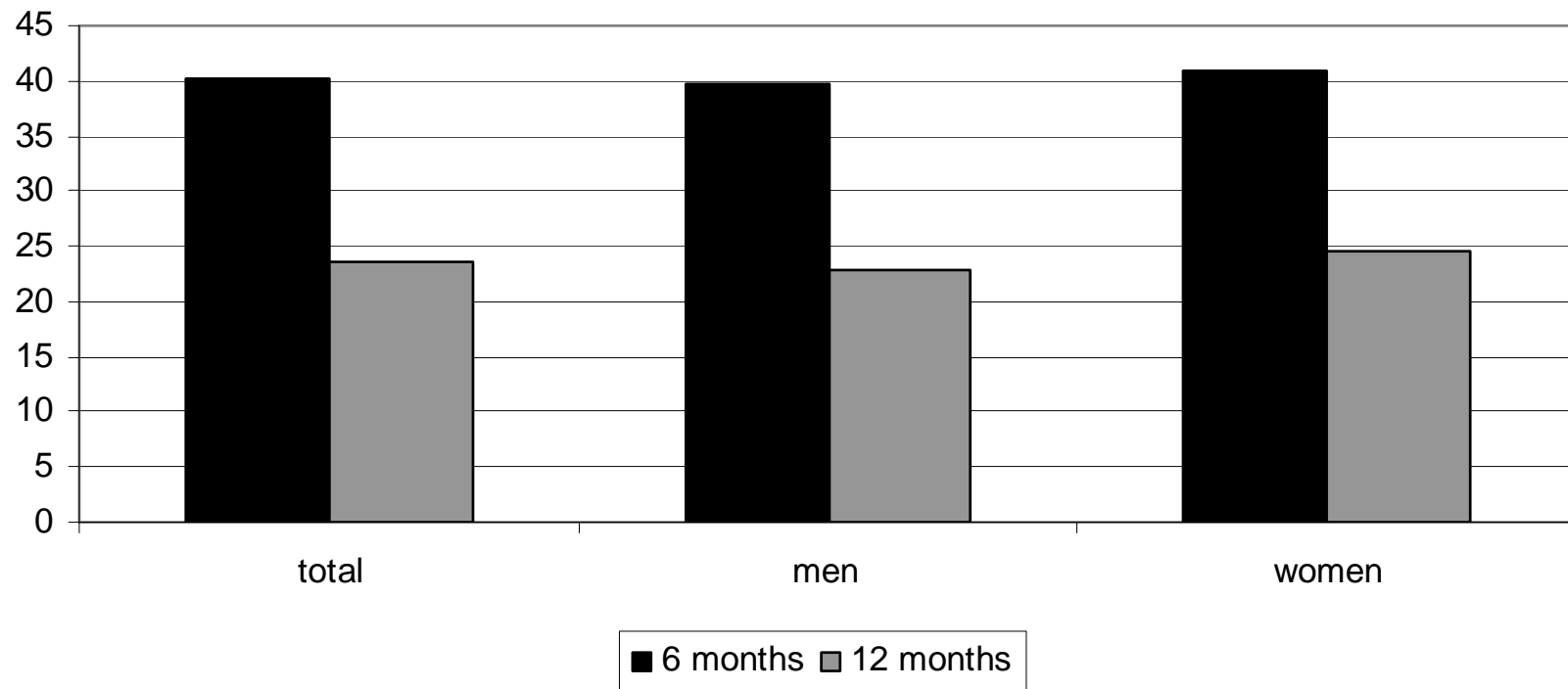
Source: OECD 2010

Unemployment rates by age groups, 2009



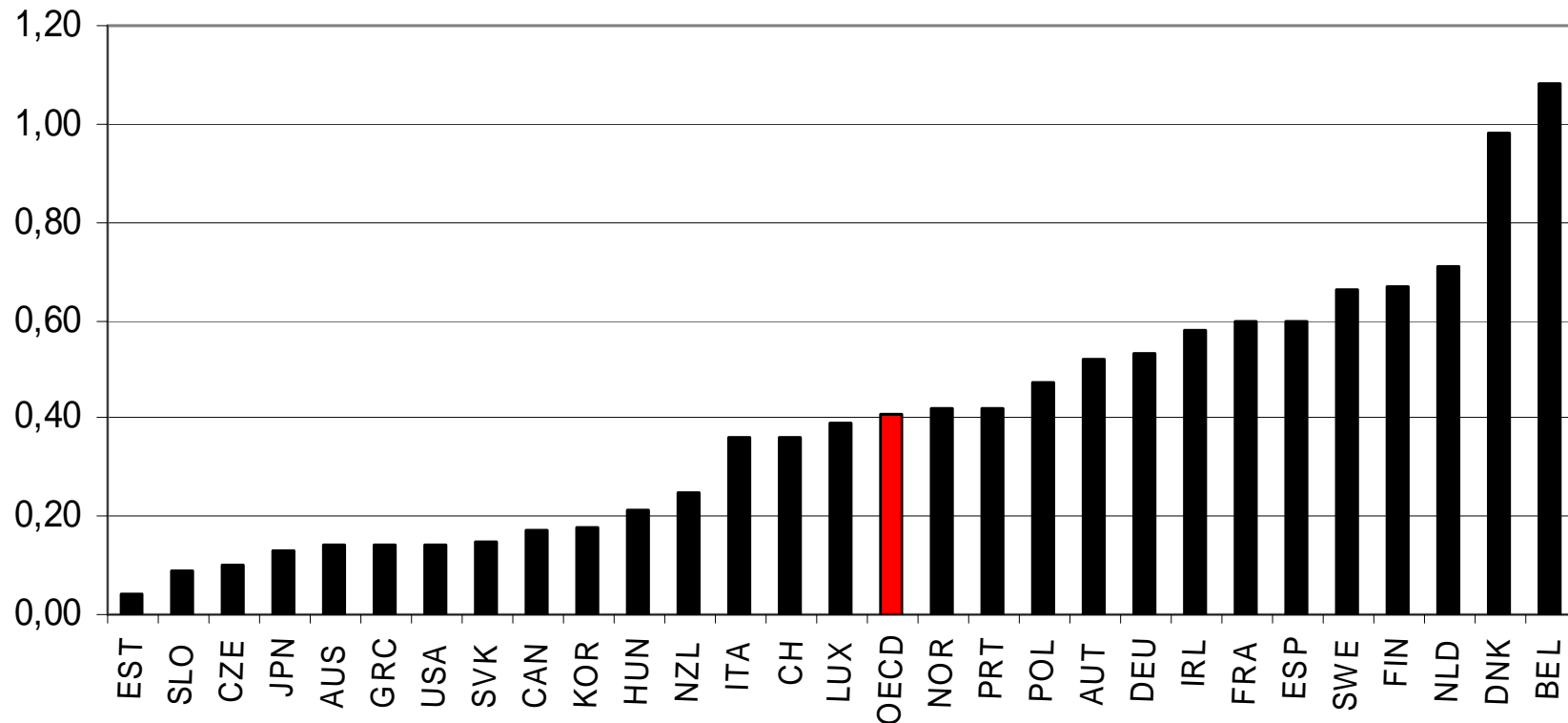
Source: OECD 2010

Long-term unemployment as a percentage of total unemployment, 2009



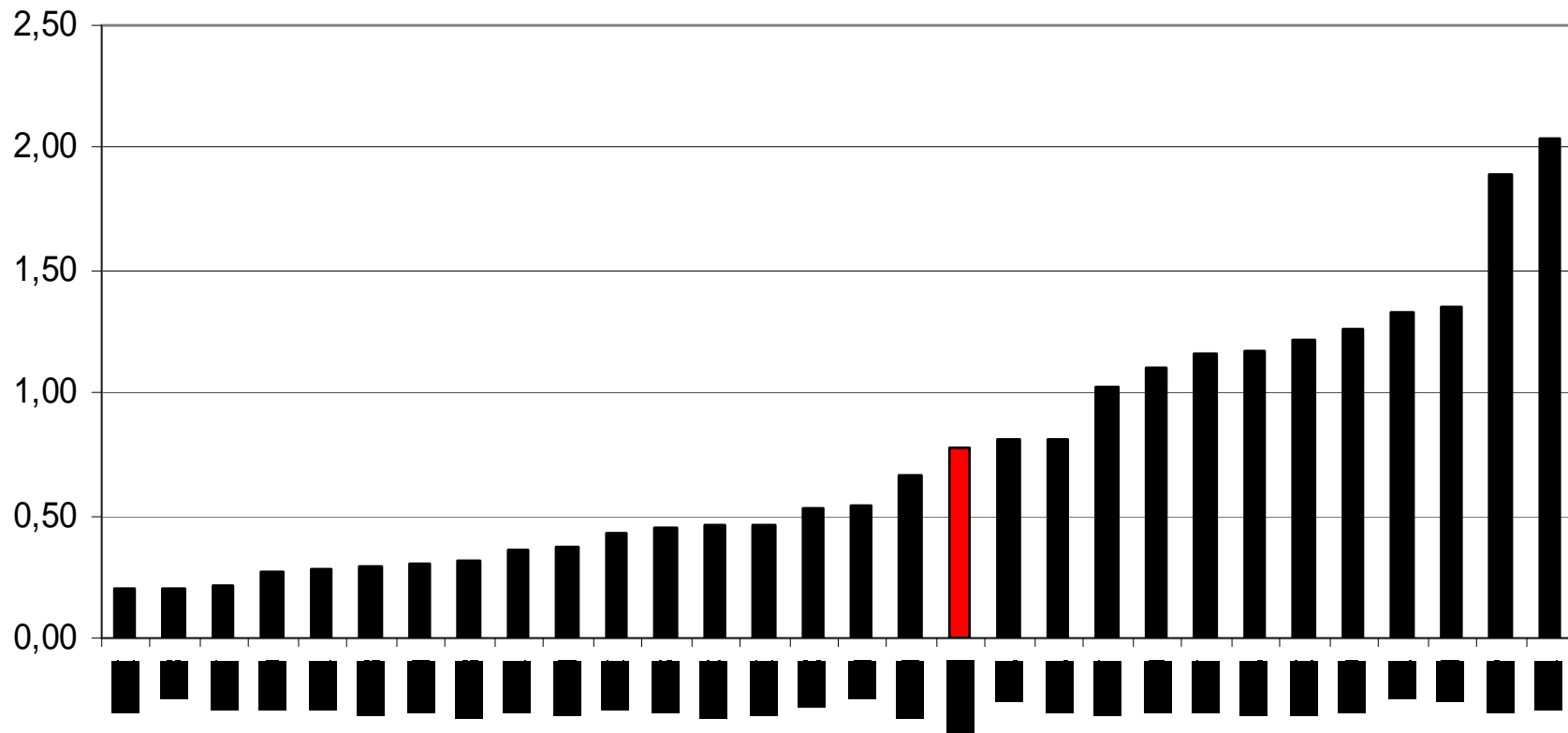
Source: OECD 2010

Active measures, public expenditure as a percentage of GDP, 2008



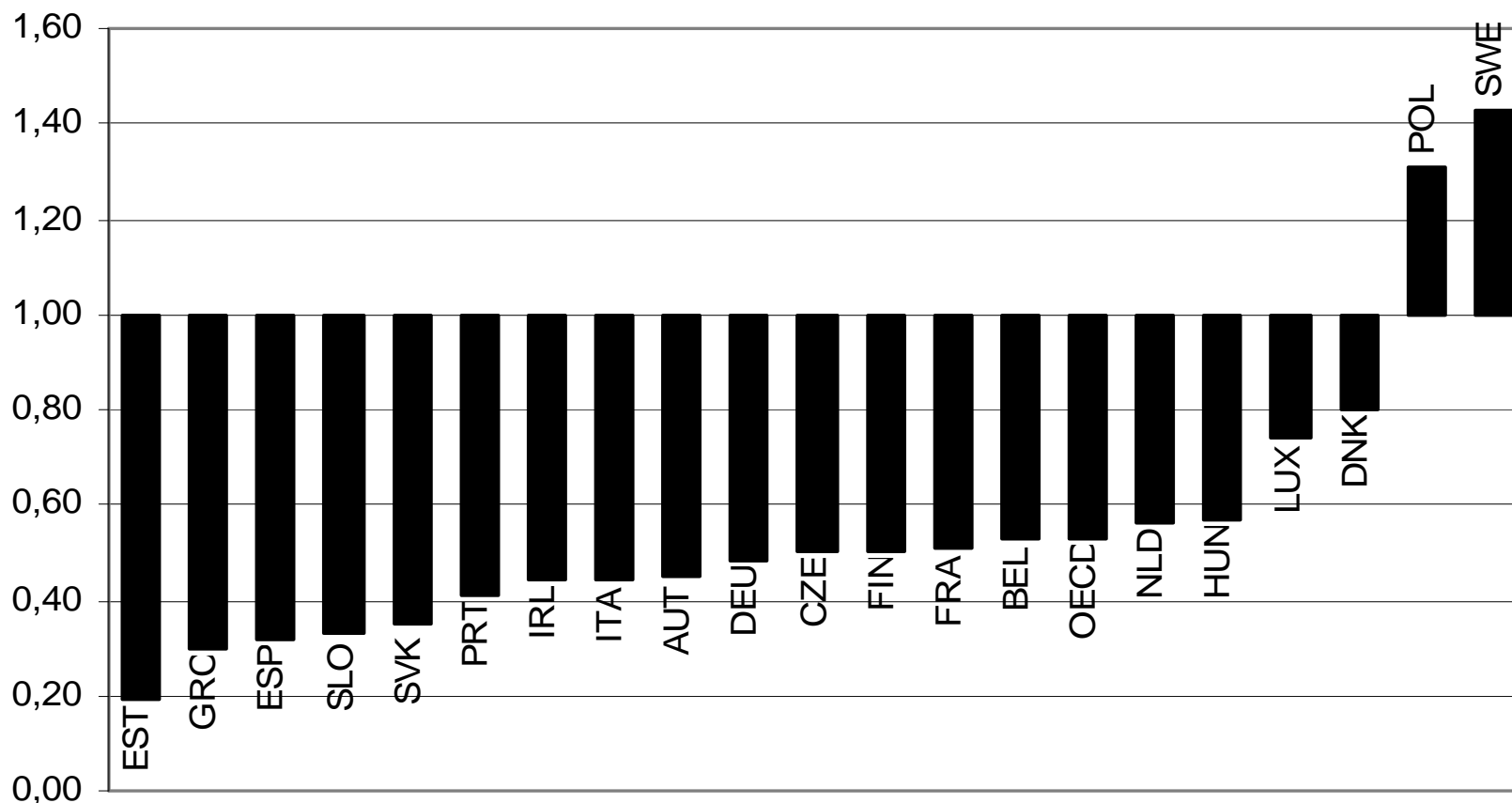
Source: OECD 2010

Passive measures, public expenditure as a percentage of GDP, 2008



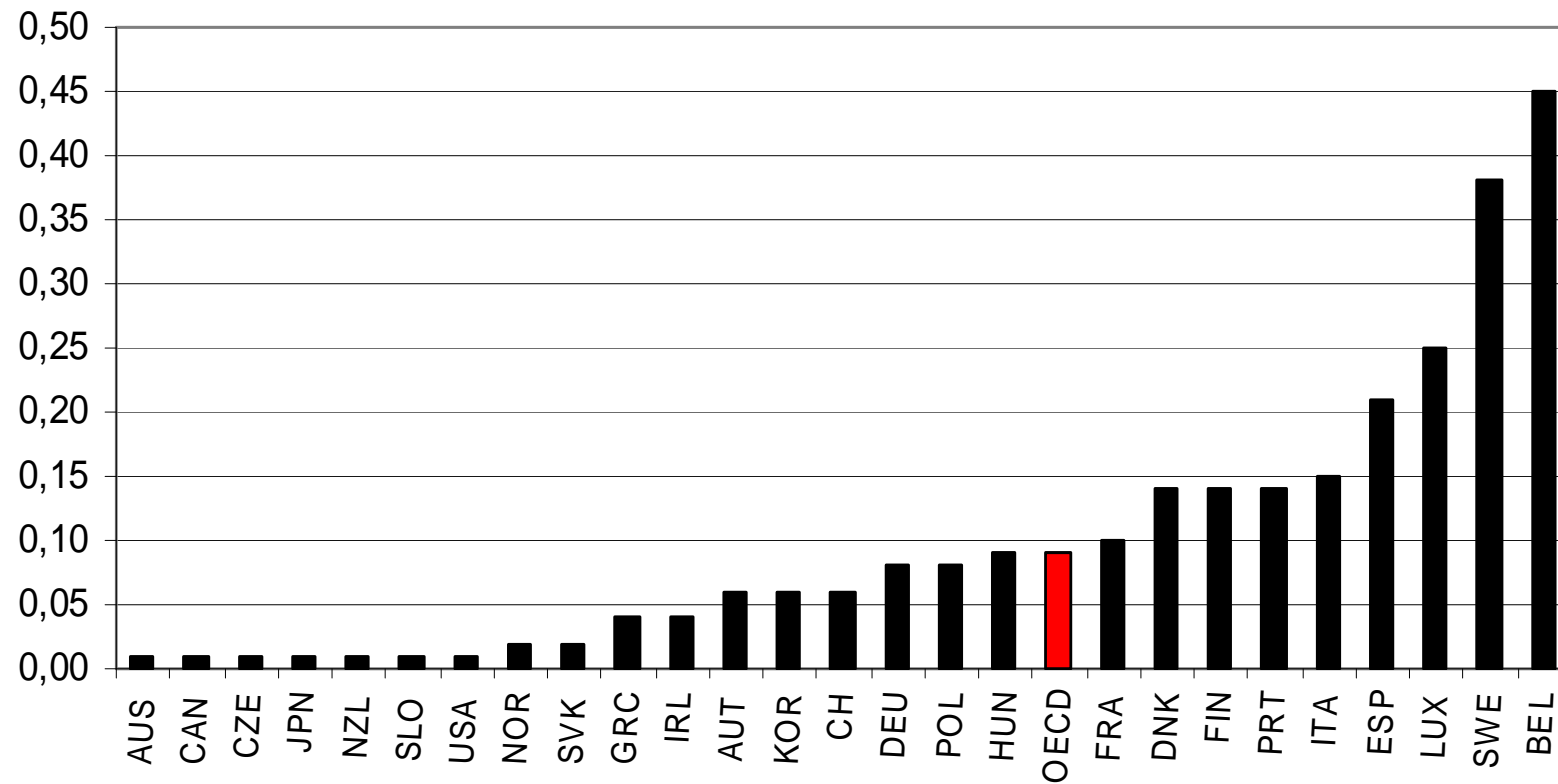
Source: OECD 2010

Ratio ALMP : PLMP, 2008



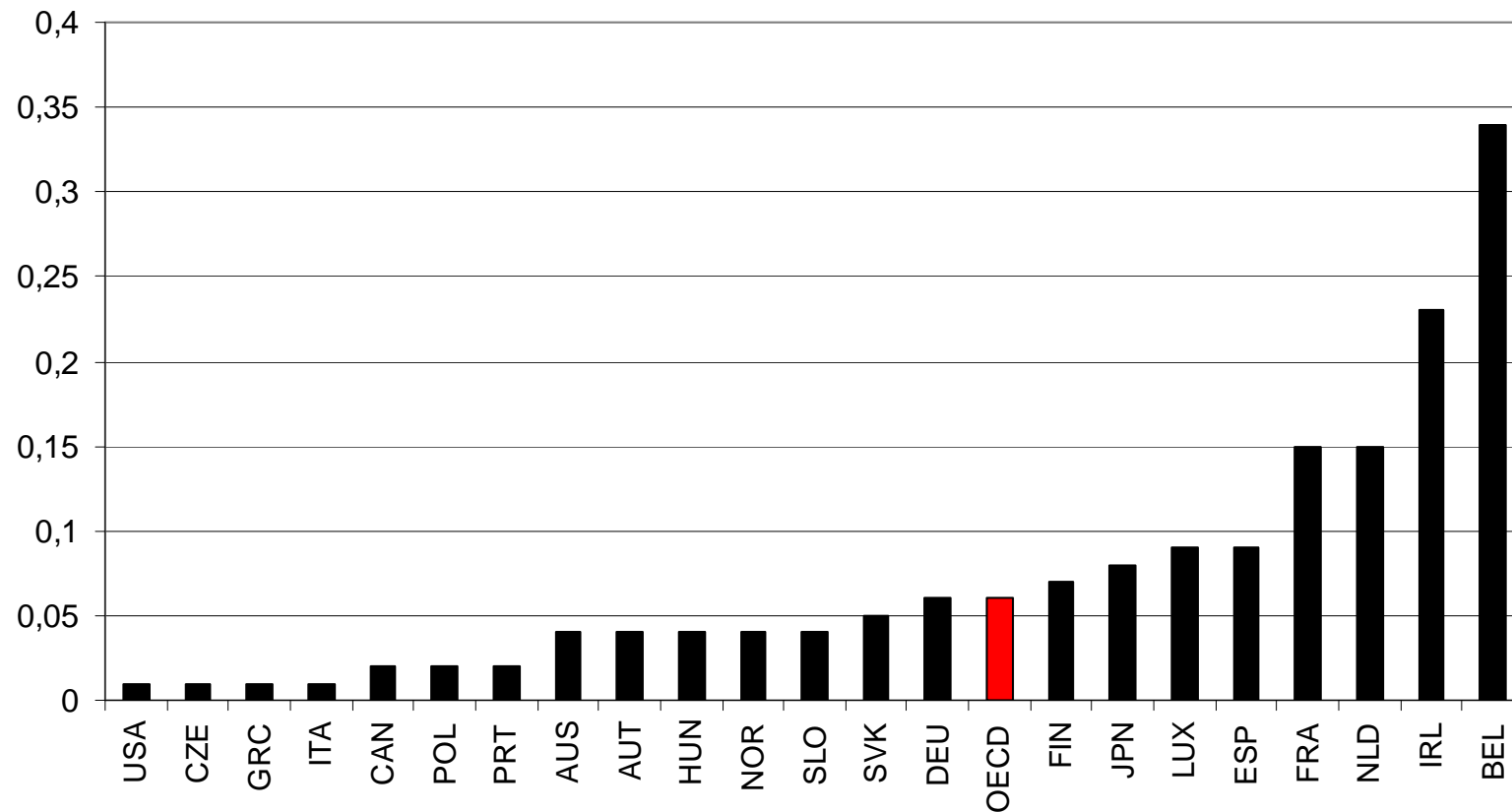
Source: OECD 2010

Employment incentives, public expenditure as a percentage of GDP, 2008



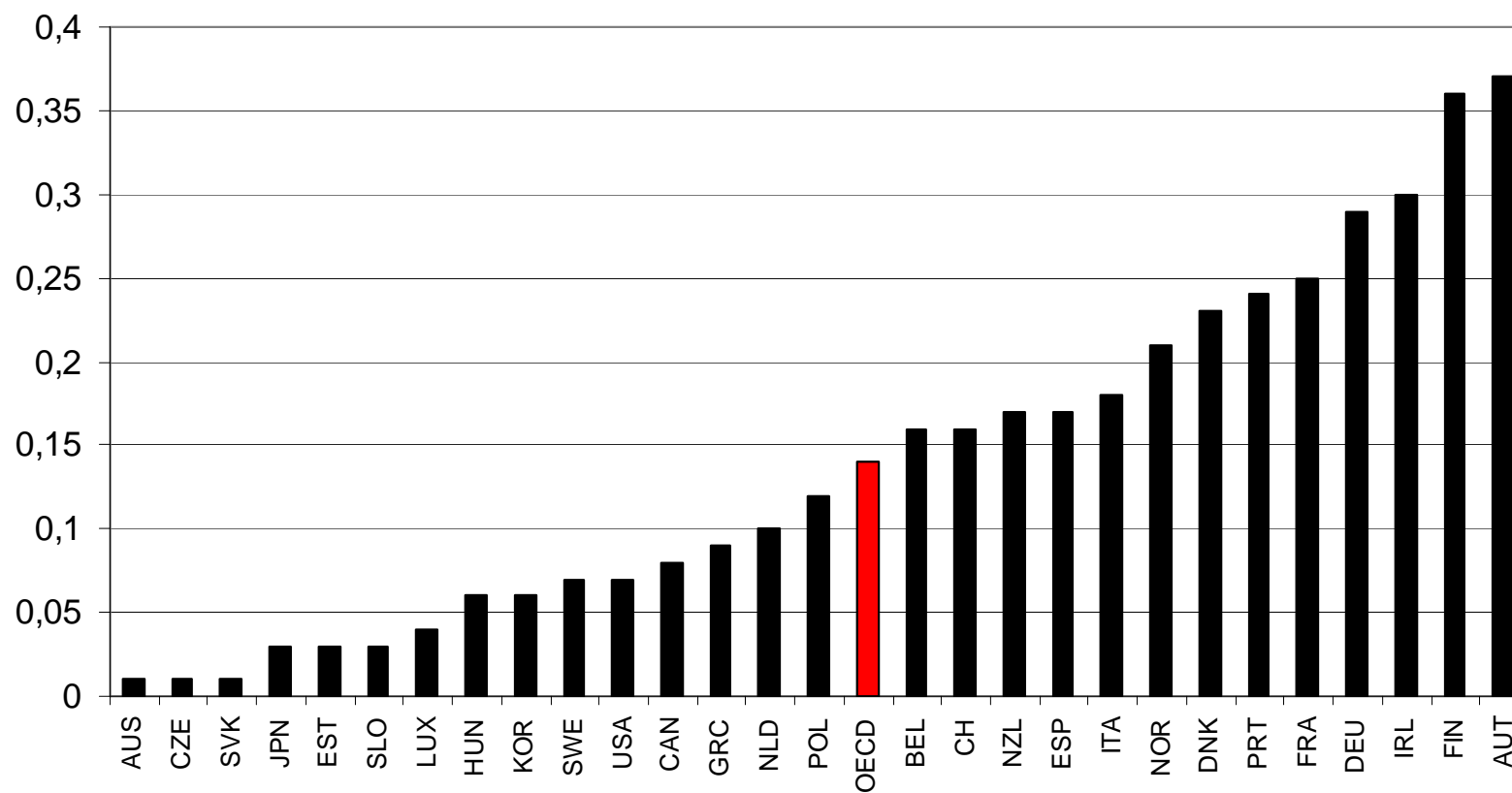
Source: OECD 2010

Direct job creation, public expenditure as a percentage of GDP, 2008



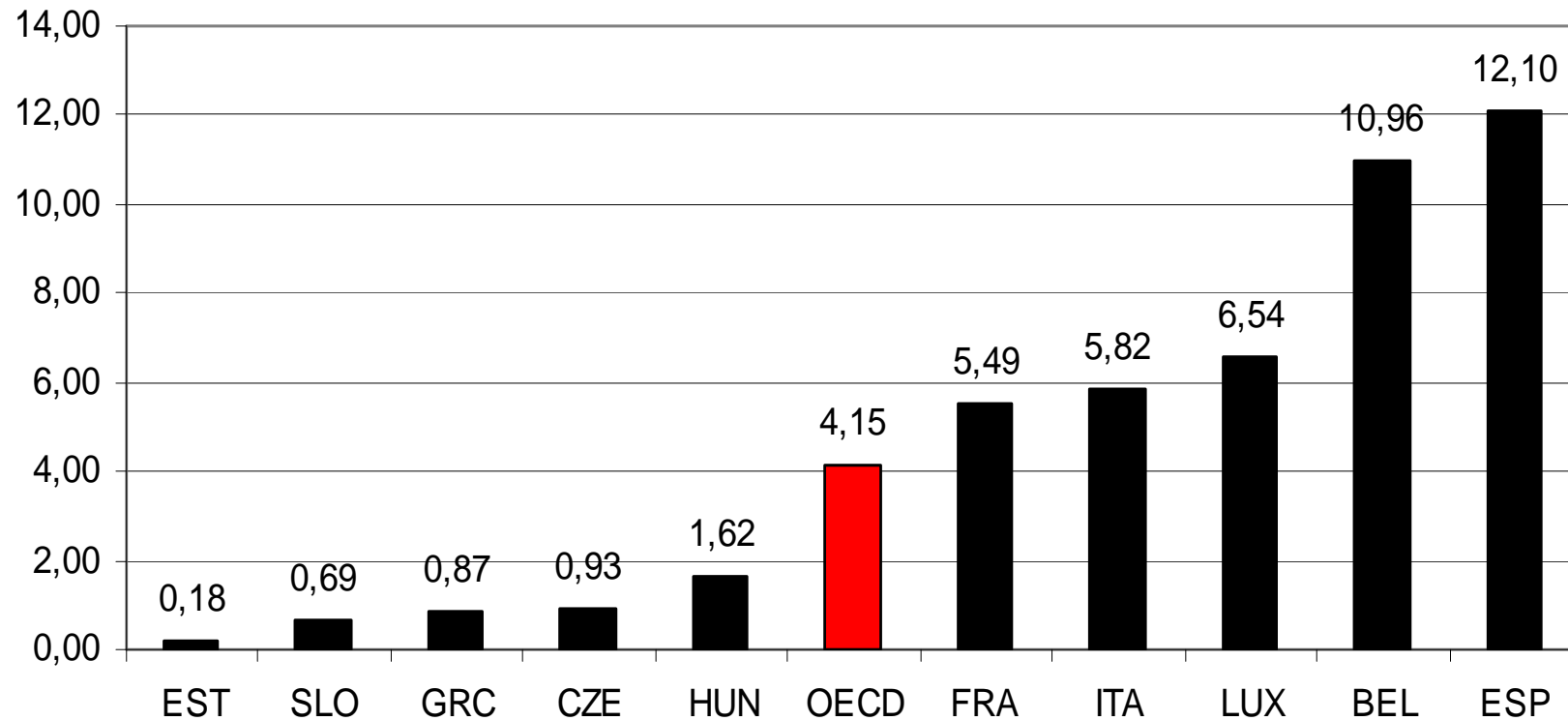
Source: OECD 2010

Training, public expenditure as a percentage of GDP, 2008



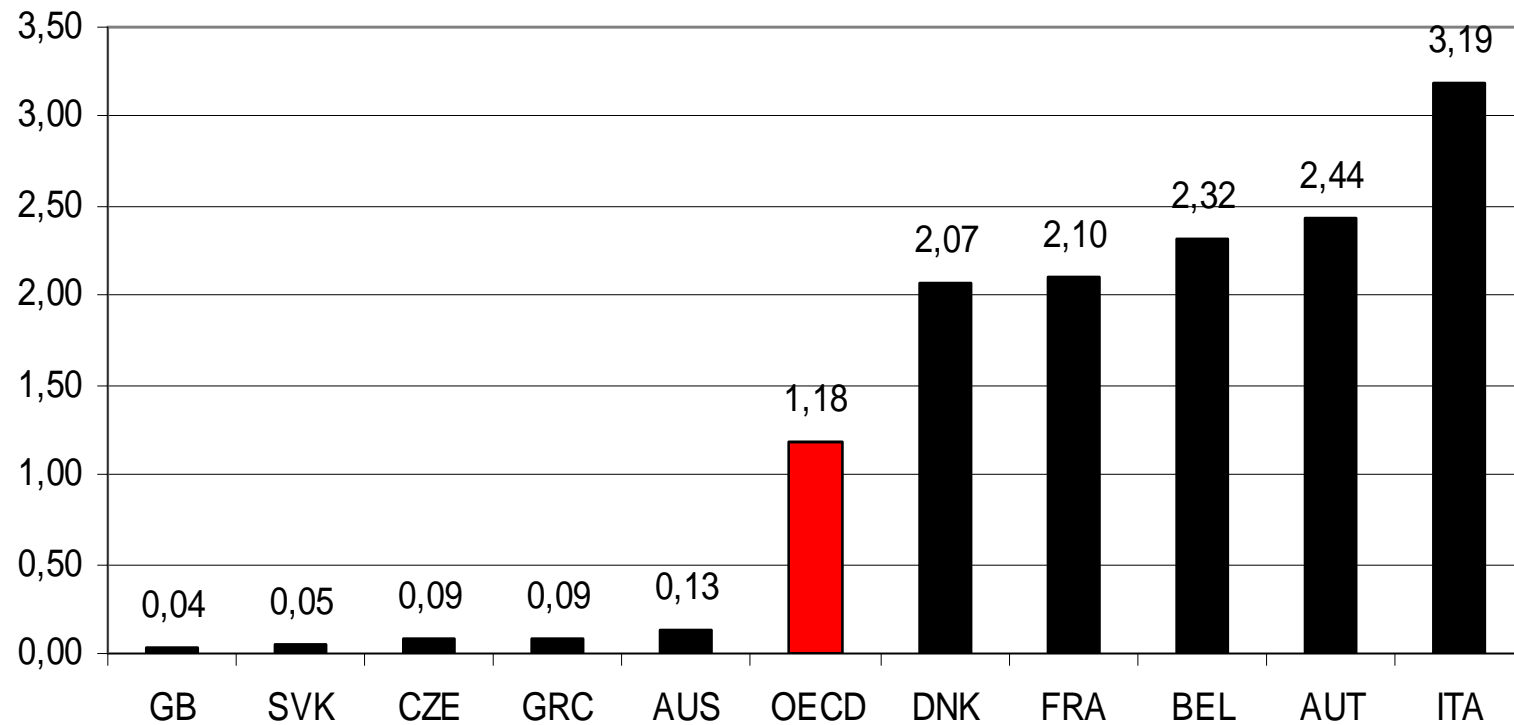
Source: OECD 2010

Active measures, participant stocks as a percentage of the labour force, 2008



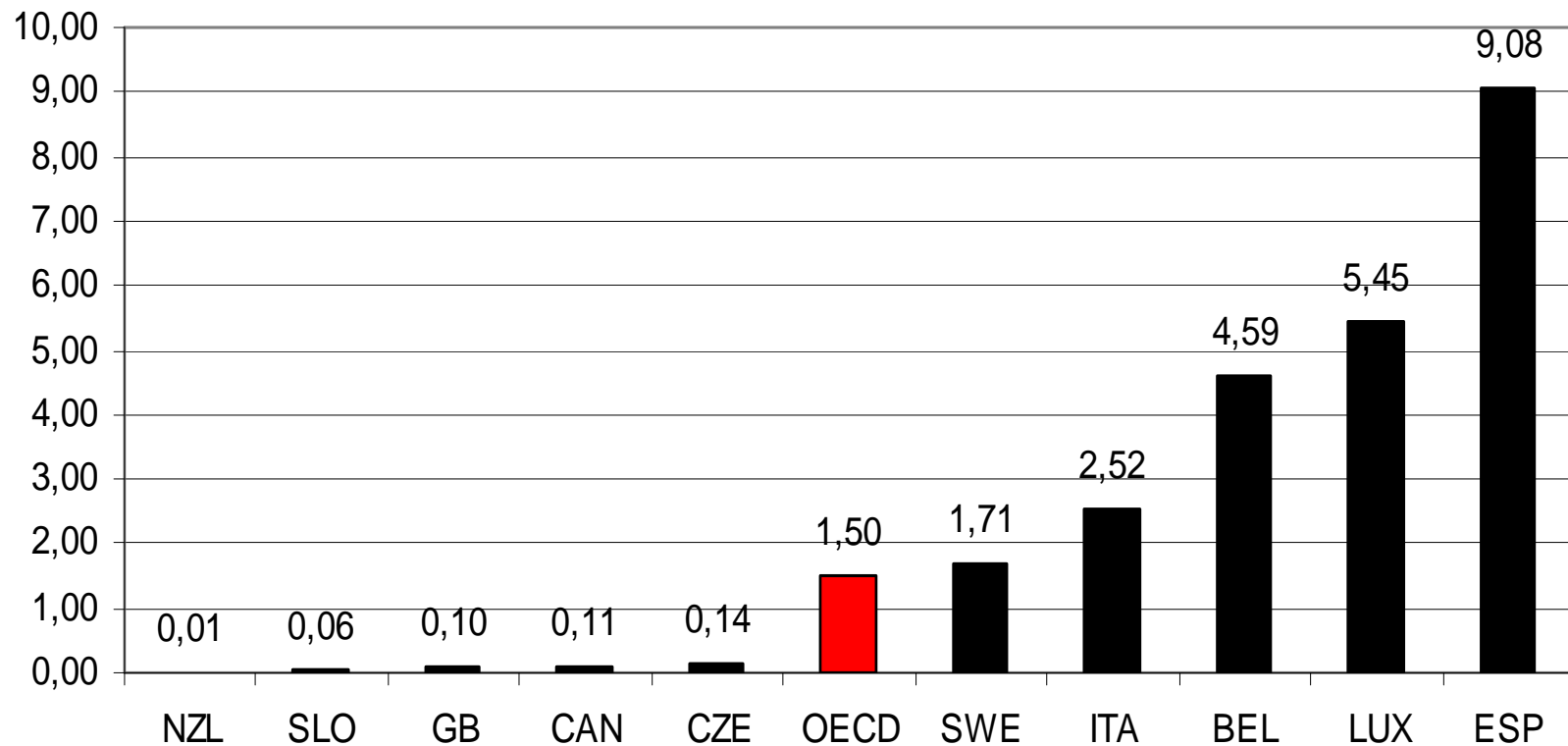
Source: OECD 2010

Training, participant stocks as a percentage of the labour force, 2008



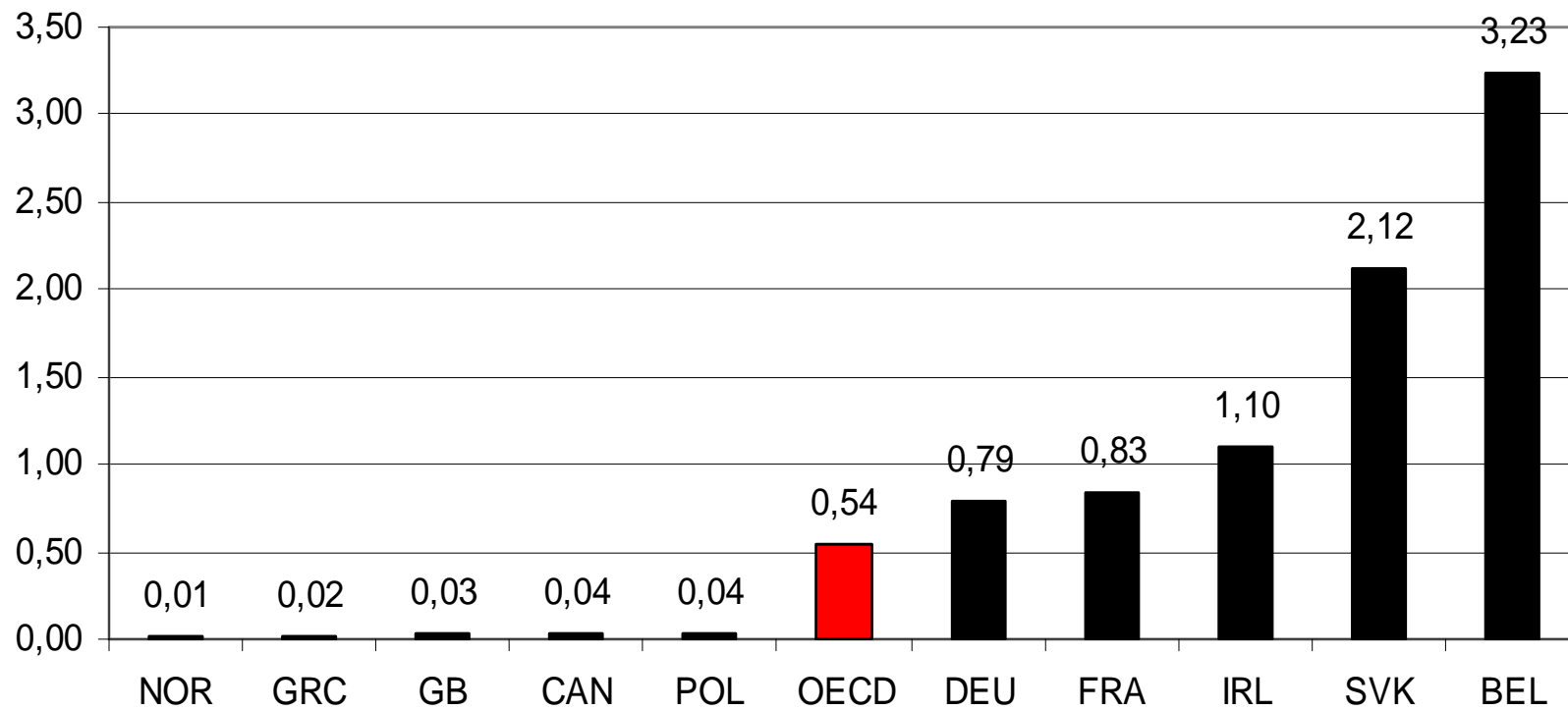
Source: OECD 2010

Employment incentives, participant stocks as a percentage of the labour force, 2008



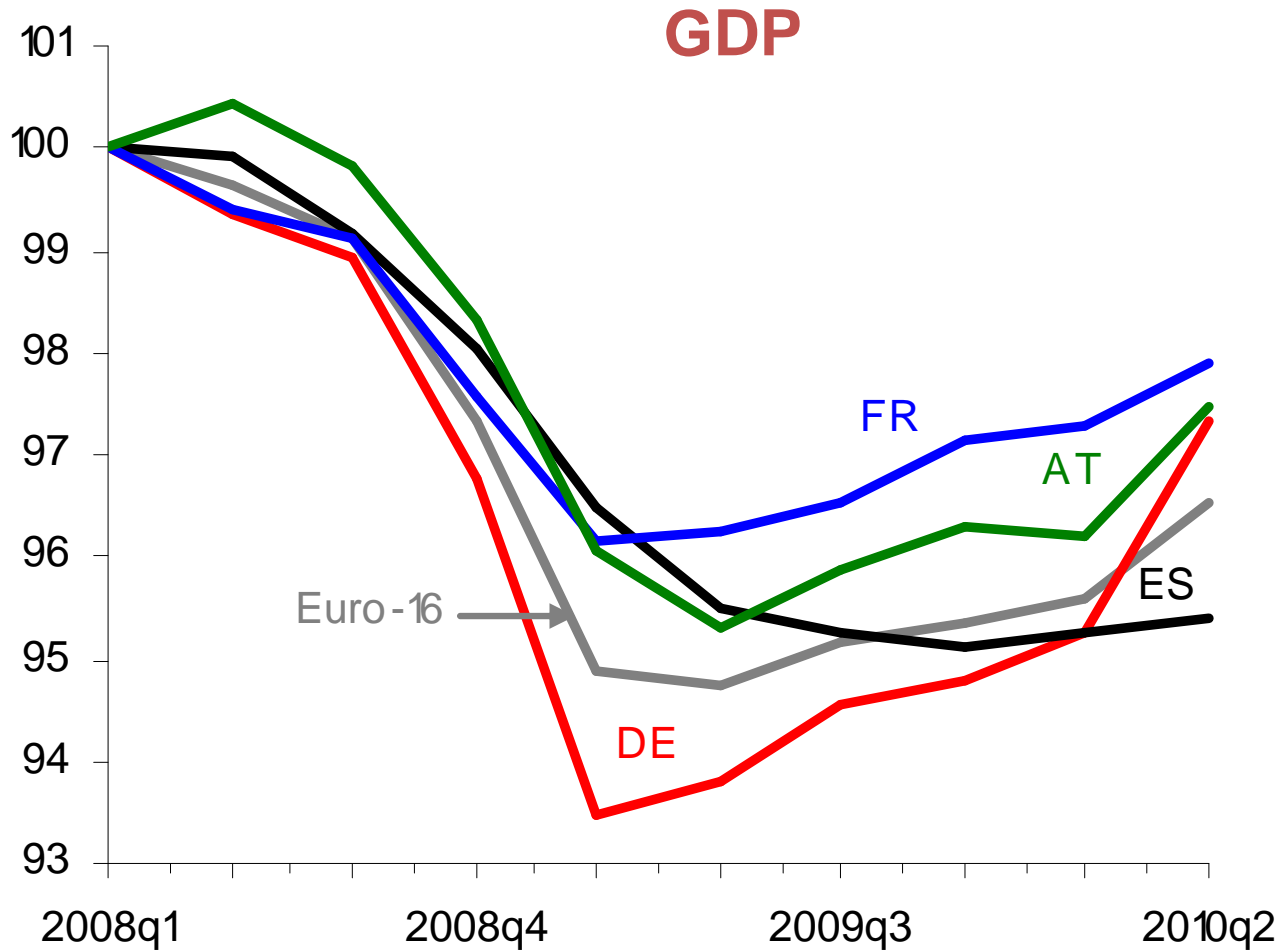
Source: OECD 2010

Direct job creation , participant stocks as a percentage of the labour force, 2008



Source: OECD 2010

The Great Recession¹

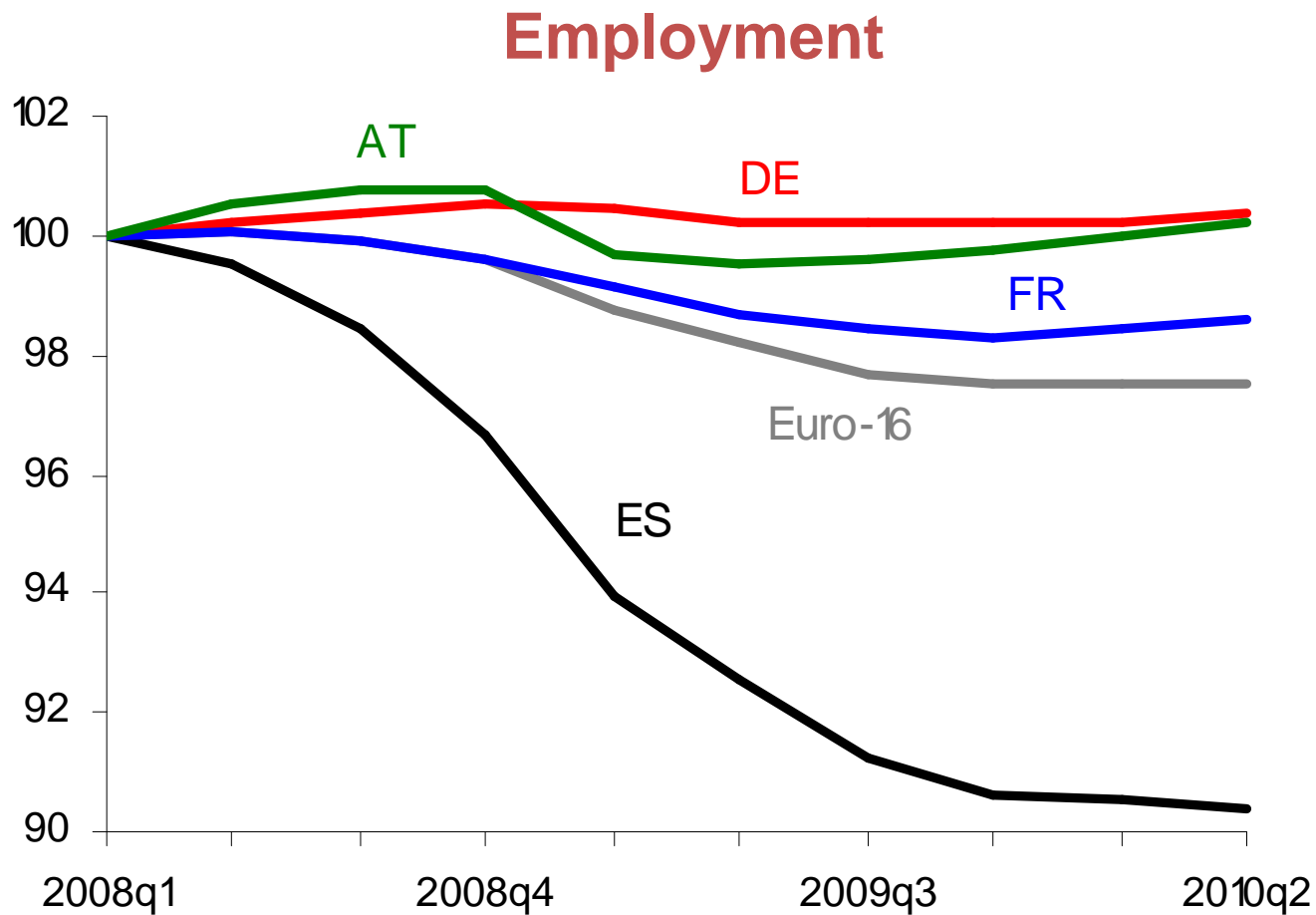


¹ Index Business cycle peak = 100; seasonally and calendar adjusted.

AT = Austria, DE = Germany, Euro-16 = Euro area (16 Countries), ES = Spain, FR = France.

Source: Statistisches Bundesamt; Eurostat; authors own calculation.

The Great Recession¹



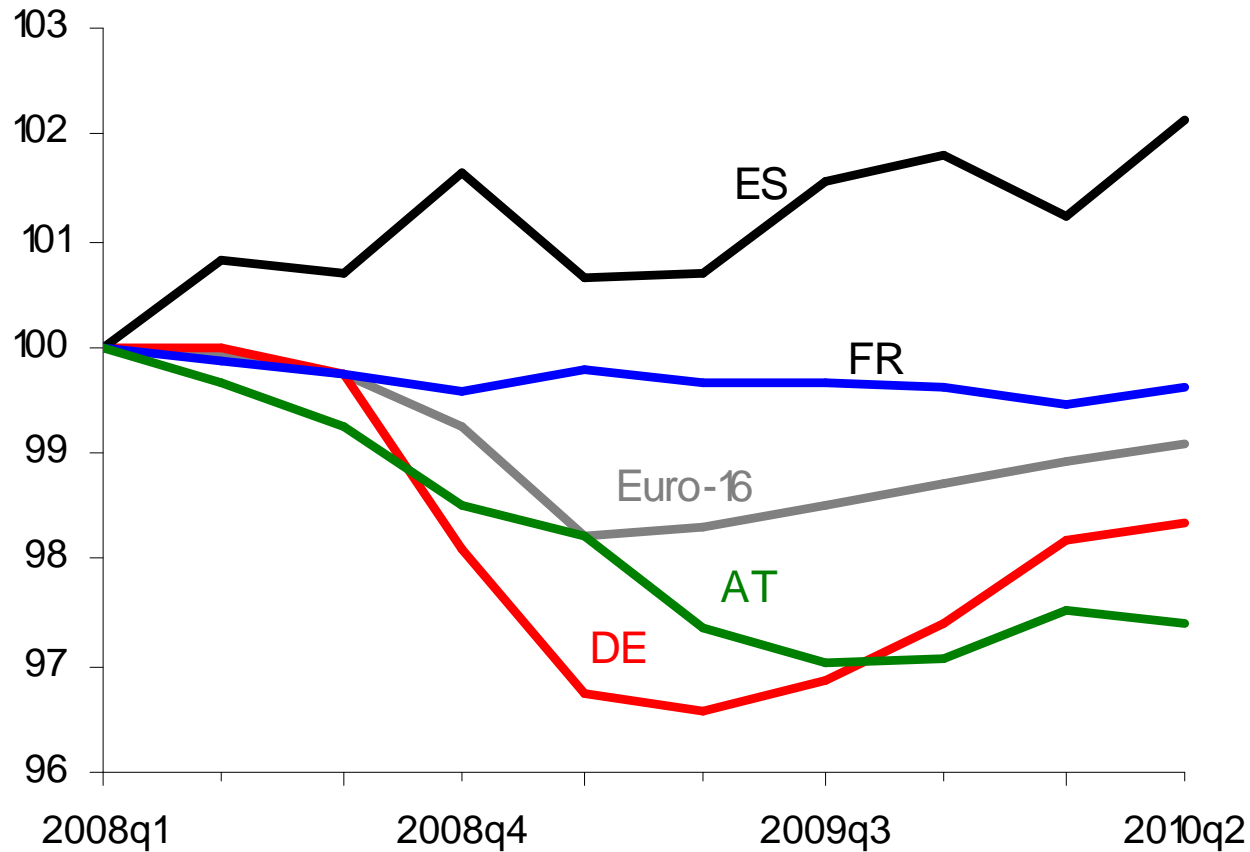
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The Great Recession¹

Working hours per employee

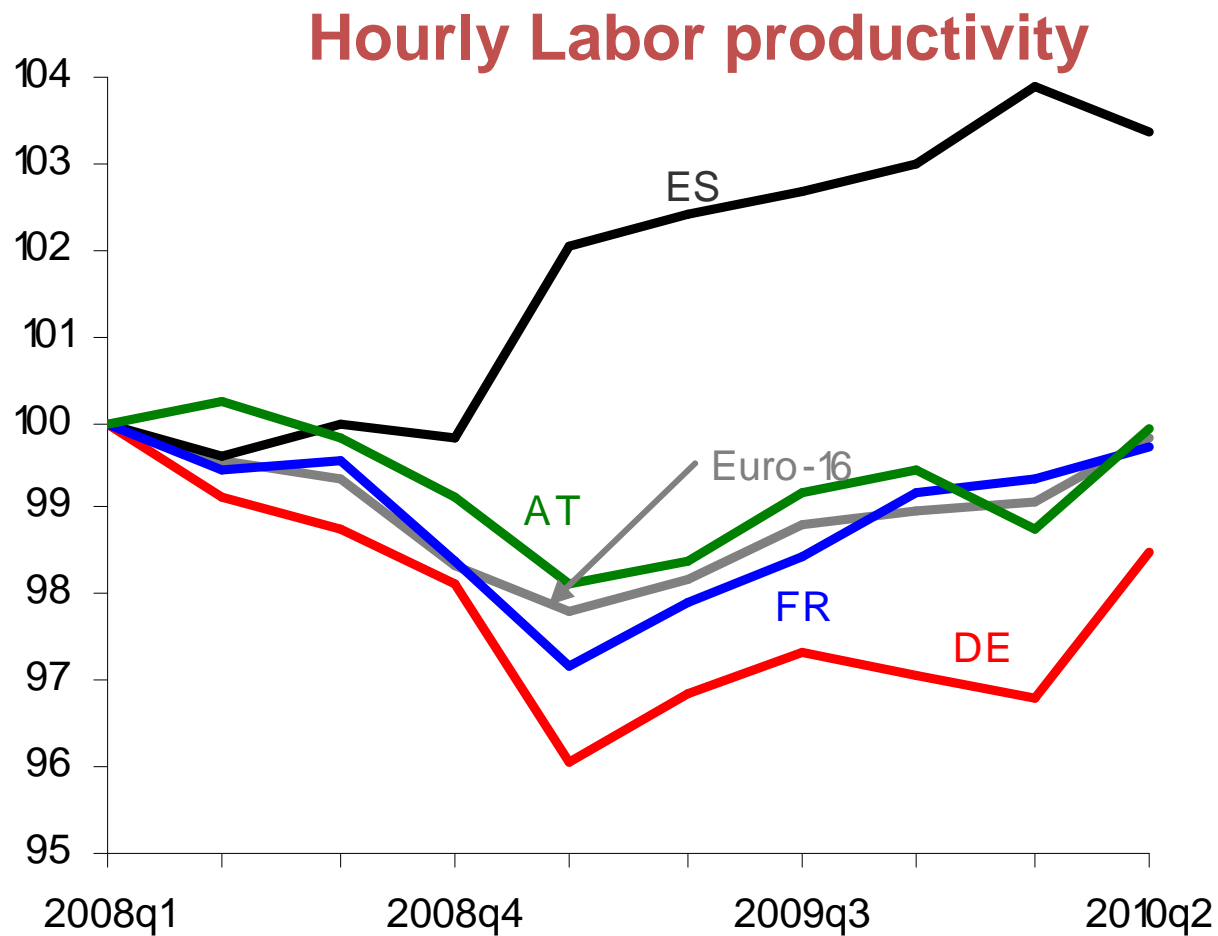


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The Great Recession¹

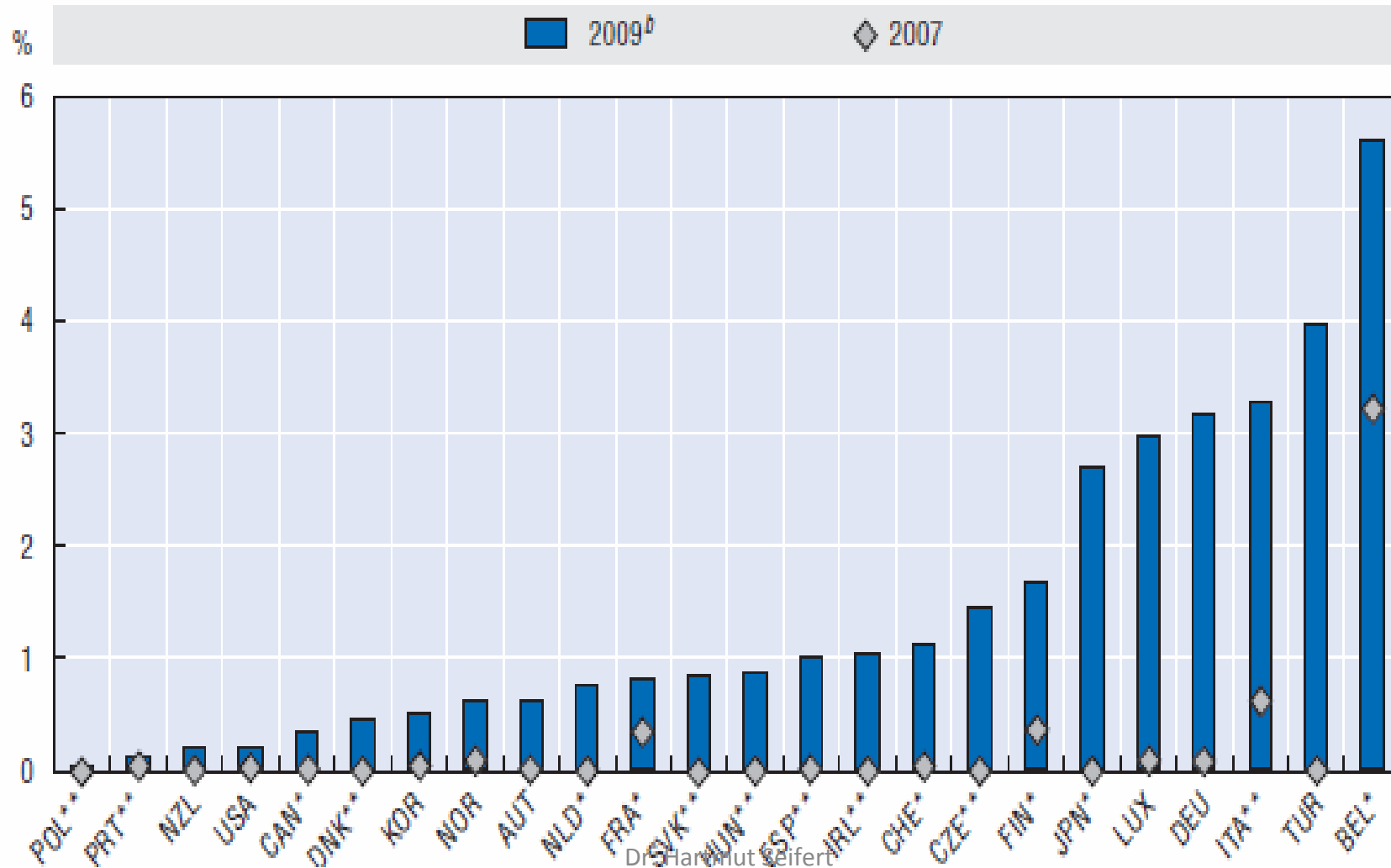


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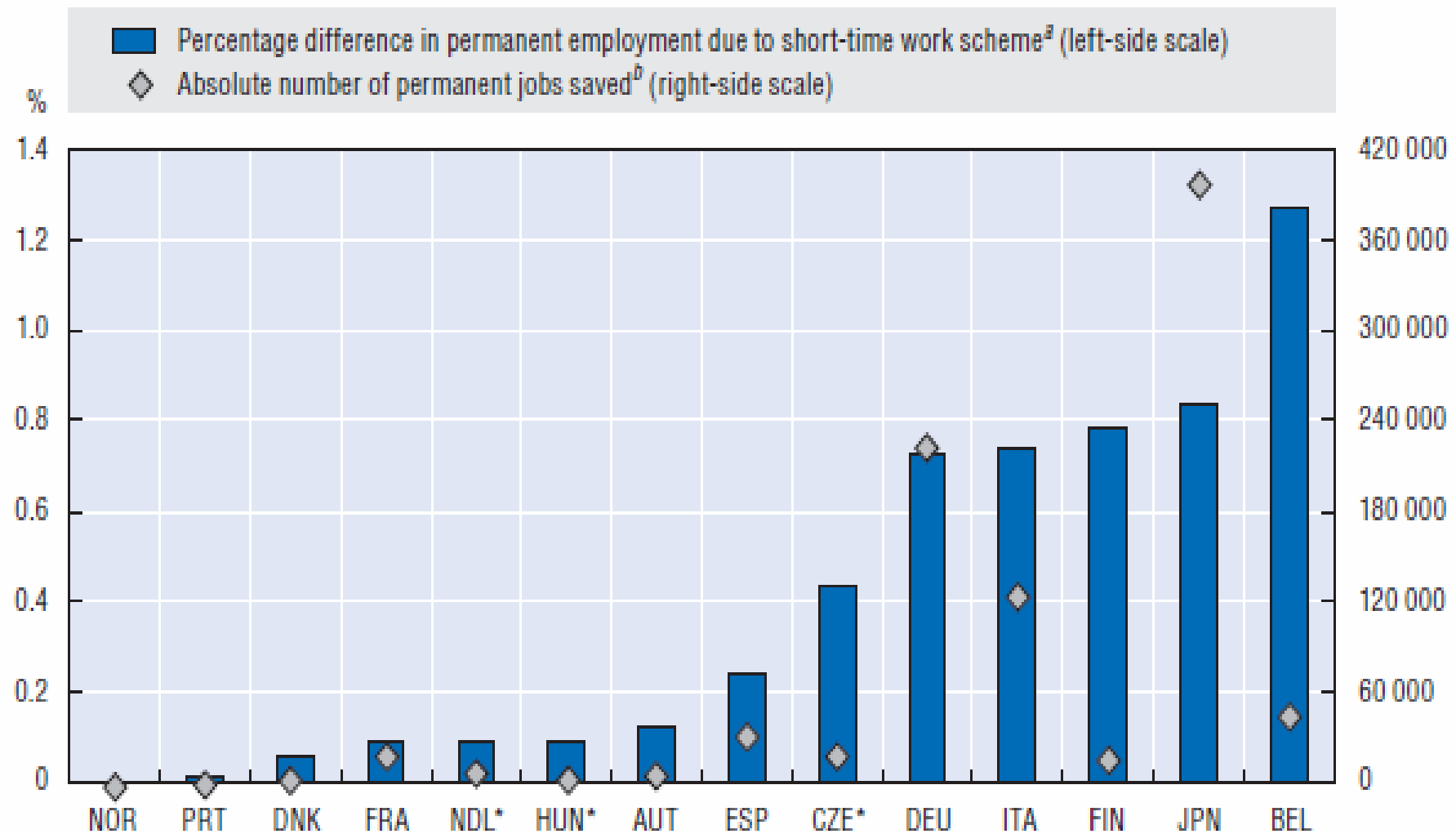
Annual average stock of employees participating in short-time work schemes as percentage of all employees



Source: OECD 2010

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Short-time work schemes and preserved permanent jobs



Source: OECD 2010

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Advantages of short-time work

Employers perspective

- avoiding firing/severance costs
- avoiding hiring costs
- maintaining job-specific human capital
- maintaining team productivity

Employees perspective

- maintainig employment
- maintaining job-specific skills
- maintaining seniority requirements
- lower losses in income compared to unemployment

Conclusion

- ALMPs have a positive impact on employment rates
- ALMP should have priority to PLMPs
- Activation strategies make the job match process more efficient
- Target groups require customised programmes
- Internal flexibility based on short-time work preserves jobs